Allied powers (1919–)

REPARATION COMMISSION.

XIV.

OFFICIAL DOCUMENTS.

The Experts' Plan for Reparation Payments.

(Reports of the Committees of Experts. The London Agreements (August, 1924). The new Bank of the Reich. The new German Railway Company. The Industrial Charge. The External Loan.)

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Prefatory Note.

The purpose of the present volume is to afford readier access to the various reports, agreements, laws and other documents which form the basis of the Experts' Plan for reparation payments by Germany. With this object an index has been provided.

The amendment to the Bank Law adopted on July 8, 1926, the agreement between the Reparation Commission and the German Government of September 8, 1926, and the agreement between the Commissioner of Controlled Revenues and the German Government concluded on September 2, 1926, have been included for purposes of completing the record.

In connection with the texts of laws it should be remembered that German is the authoritative language. The English translations presented here were made at or about the time the laws were passed. In the present edition only a few obvious misprints have been corrected. In each case it is the final text of the law, as enacted by the Reichstag, that is printed; the draft laws submitted by the various organising committees have been omitted with a view to preventing confusion.

S. A. ARMITAGE-SMITH,
General Secretary.

7, rue de Tilsitt,
Paris.

October 1, 1926.

Members of the Reparation Commission as constituted for the Purposes of the Treaty of Versailles.

Chairman: M. F. Chapsal, Sénateur.

Great Britain:

The Lord Blanesburgh, G. B. E.
Sir B. A. Kemball-Cook, K. C. M. G., C. B., Assistant Delegate.

France:

M. F. Chapsal, Sénateur, Chairman.
M. C. Mauclère, Assistant Delegate.

Italy:

Le Marquis Salvago Raggi, Vice-Chairman.
M. Corsi, Assistant Delegate.

Japan:

Mr. Sekiba.
Mr. Yamaji, Assistant Delegate.

Belgium:

M. Delacroix.
M. Gutt, Assistant Delegate.

Serb-Croat-Slovene State:

M. Boshkovitch.
M. Ploj, Assistant Delegate.

Citizen of the United States of America:

Mr. Walter P. Cooke.

Secretary General: Mr. S. A. Armitage-Smith, C. B.

October 1, 1926.

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PART I. THE EXPERTS' REPORTS.

1. Decision No. 2720 of the Reparation Commission. November 30, 1923.

In order to consider, in accordance with the provisions of Article 234 of the Treaty of Versailles, the resources and capacity of Germany, and after giving her representatives a just opportunity to be heard, the Reparation Commission decided to create two Committees of Experts belonging to the Allied and Associated countries.

One of these Committees would be entrusted with considering the means of balancing the Budget and the measures to be taken to stabilise the currency.

The other would consider the means of estimating the amount of exported capital and of bringing it back into Germany.

2. Decision No. 2746c of the Reparation Commission, December 21, 1923.

It was decided to invite General Charles G. Dawes and Mr. O. D. Young to share in the work of the first Committee of Experts referred to in Decision 2 720 of November 30.

It was further decided to invite General Dawes to act as Chairman of this Committee.

3. Decision No. 2750 of the Reparation Commission. December 26, 1923.

It was decided to invite the following to take part in the work of the First Committee:

Great Britain: Sir Robert Molesworth Kindersley, G. B. E., Chairman of Lazard Brothers Limited; Director of the Bank of England; Governor of the Hudson Bay Company; Chairman of the National Savings Committee. Sir Josiah Charles Stamp, K. B. E., D. Sc., F. C. I. S., Secretary to the Nobel Industries Limited and formerly Assistant Secretary to the Board of Inland Revenue.

France: M. Parmentier, formerly Director of the Mouvement Général des Fonds in the Finance Ministry; Administrator of the Crédit Foncier de France. M. Allix, Professor to the Faculty of Law of Paris.

Italy: Dr. Alberto Pirelli, industrialist. Professor Federico Flora, Professor of the Science of Finance at the University of Bologna.

Belgium: Baron Maurice Houtart, Member of the Chambre des Représentants, banker. M. Emile Francqui, Ministre d'Etat, Vice-Governor of the Société Générale de Belgique.

It was decided to invite the following to take part in the work of the Second Committee:

United States: Mr. Henry M. Robinson, Chairman of the First National Bank of Los Angeles, at Los Angeles.

Great Britain: The Rt. Hon. Reginald McKenna, P. C., Chairman of the Midland Bank; formerly Chancellor of the Exchequer.

France: M. Laurent-Atthalin, Director of the Banque de Paris et des Pays-Bas.

Italy: Dr. Mario Alberti, Director of the Credito Italiano.

Belgium: M. Albert Edouard Janssen, Director of the Banque Nationale de Belgique.

The Commission directed its General Secretary, Mr. McFadyean, to place himself at the disposal of the Committees with a view to providing their Secretariat Service.

4. Report of the First Committee of Experts.

(1) Letter from the Chairman to the Reparation Commission.

April 9th, 1924.

Your Committee of Experts has unanimously adopted a report upon the means of balancing the budget of Germany and the measures to be taken to stabilise its currency, which I now have the honour to submit.

Deeply impressed by a sense of its responsibility to your Commission and to the universal conscience, the Committee bases its plan upon those principles of justice, fairness and mutual interest, in the supremacy of which not only the creditors of Germany and Germany herself, but the world, has a vital and enduring concern.

With these principles fixed and accepted in that common good faith which is the foundation of all business, and the best safeguard for universal peace, the recommendations of the Committee must be considered not as inflicting penalties, but as suggesting means for assisting the economic recovery of all the European peoples and the entry upon a new period of happiness and prosperity unmenaced by war.

Since, as a result of the war, the creditors of Germany are paying taxes to the limit of their capacity, so also must Germany pay taxes from year to year to the limit of her capacity. This is in accord with that just and underlying principle of the Treaty of Versailles, reaffirmed by Germany in her note of May 29th, 1919, that the German scheme of taxation must be "fully as heavy proportionately as that of any of the Powers represented on the Commission." More than this limit could not be expected, and less than this would relieve Germany from the common hardship and give her an unfair advantage in the industrial competition of the future. This principle the plan embodies.

The plan has been made to include flexible adjustments which, from the very beginning, tend to produce the maximum of contributions consistent with the continued and increasing productivity of Germany. The conservative estimates of payments to be made in the near future are dictated by business

prudence in outlining the basis of a loan, and should not destroy perspective as to the effects to be registered in the aggregate of eventual payments, which will annually increase. With normal economic conditions and productivity restored in Germany, most hopeful estimates of amounts eventually receivable will be found to be justified. Without such restoration, such payments as can be obtained will be of little value in meeting the urgent needs of creditor nations.

To ensure the permanence of a new economic peace between the Allied Governments and Germany, which involves the economic readjustments presented by the plan, there are provided the counterparts of those usual economic precautions against default recognised as essential in all business relations involving expressed obligations. The existence of safeguards in no way hampers or embarrasses the carrying out of ordinary business contracts. The thorough effectiveness of these safeguards should not embarrass the normal economic functioning of Germany, and is of fundamental importance to her creditors and to Germany.

Great care has been taken in fixing conditions of supervision over Germany's internal organisation so as to impose the minimum of interference consistent with proper protection. This general plan, fair and reasonable in its nature, if accepted, leads to an ultimate and lasting peace. The rejection of these proposals by the German Government means the deliberate choice of a continuance of economic demoralisation, eventually involving her people in hopeless misery.

In the preparation of this report, the Committee has carefully and laboriously covered the broad field of investigation. It has had the constant co-operation of able staffs of experts, gathering information, digesting it and presenting it. It conducted, on the ground, an examination of the officials of the German Government and representatives of its labour, agriculture, and industry. It received from the German Government and its representatives voluminous and satisfactory answers in response to its written enquiries. In connection with various features of its report, both for gathering information and for advice, it has called to its assistance outside experts of international reputation. The published reports and statements of economists of world-wide standing have been in its hands. It has had the benefit of the accumulated information heretofore gathered by your Commission.

In its work, the full Committee has held, since January 14th, 1924, 54 meetings; the sub-committee on the stabilisation of the currency, composed of Monsieur Parmentier, Sir Robert Kindersley, Monsieur Francqui and Professor Flora, assisted by Mr. H. M. Robinson, under the chairmanship of Mr. Owen D. Young, has held 81 meetings; and the sub-committee on the balancing of the budget, composed of Professor Allix, Baron Houtart and Monsieur Pirelli, under the chairmanship of Sir Josiah Stamp, has held 63 meetings. They have had the assistance of Mr. Andrew McFadyean, the General Secretary. Again, the time of the Committee, outside of that consumed by the meetings, has been given largely to investigation and study.

In speaking of my colleagues and as bearing upon the value of this report, I feel that I should make it known to your Commission and to the world, that their governments have in no case limited their complete independence of judgment and action, either before or after their appointment by you. Limited only by the powers granted by your Commission, each has performed his arduous and responsible work as a free agent. These men, searching for truth and advice thereon, were answerable only to conscience. In granting this freedom, the governments have but followed your own spirit and intent in constituting the Committee, but in so doing, they have paid the highest tribute which governments can bestow: complete confidence in a time of crisis in human affairs. In their vision—in their independence of thought—and above all, in their spirit of high and sincere purpose, which rises above the small things over which the small so often stumble, my colleagues have shown themselves worthy of this trust. That their work, which I now place in your hands. may assist you in the discharge of your great responsibilities, is their prayer, and the knowledge hereafter, that it has done so, will be their full reward. (Signed) CHARLES G. DAWES.
Chairman.

(2) Report of the First Committee of Experts, Summary of Part I.[1]

I.—The attitude of the Committee.

(*a*) The standpoint adopted has been that of business and not politics.
(*b*) Political factors have been considered only in so far as they affect the practicability of the plan.
(*c*) The recovery of debt, not the imposition of penalties, has been sought.
(*d*) The payment of that debt by Germany is her necessary contribution to repairing the damage of the war.
(*e*) It is in the interest of all parties to carry out this plan in that good faith which is the fundamental of all business. Our plan is based upon this principle.
(*f*) The reconstruction of Germany is not an end in itself; it is only part of the larger problem of the reconstruction of Europe.
(*g*) Guarantees proposed are economic, not political.

II.—German economic unity.

For success in stabilising currency and balancing budgets, Germany needs the resources of German territory as defined by the Treaty of Versailles, and free economic activity therein.

III.—Military aspects.—Contingent sanctions and guarantees.

(*a*) Political guarantees and penalties are outside our jurisdiction.
(*b*) The military aspect of this problem is beyond our terms of reference.

[1] The summary is furnished only for the convenience of the reader. Parts I and II and the Annexes are the only authoritative statements of the plan.

(*c*) Within the unified territory, the plan requires that, when it is in effective operation:

(1) if any military organisation exists, it must not impede the free exercise of economic activities;

(2) there shall be no foreign economic control or interference other than that proposed by the plan.

(*d*) But adequate and productive guarantees are provided.

IV.—The Committee's task.

(*a*) Stabilisation of currency and the balancing of budgets are inter-dependent, though they are provisionally separable for examination.

(*b*) Currency stability can only be maintained if the budget is normally balanced; the budget can only be balanced if a stable and reliable currency exists.

(*c*) Both are needed to enable Germany to meet her internal requirements and Treaty payments.

V.—Economic future of Germany.

(*a*) Productivity is expected from increasing population, technical skill, material resources and eminence in industrial science.

(*b*) Plant capacity has been increased and improved since the war.

VI.—Currency and a Bank of Issue.

(*a*) All classes will benefit from stabilised currency, especially labour.

(*b*) Under present conditions, rentenmark stability is only temporary.

(*c*) A new Bank is set up or the Reichsbank reorganised.

(*d*) The main characteristics of the Bank will be:

(1) to issue notes on a basis stable in relation to gold, with an exclusive privilege;

(2) to serve as a bankers' Bank, establishing the official rate of discount;

(3) to act as the Government banker, but free of Government control;

(4) advances to Government to be strictly limited;

(5) to hold on deposit reparation payments;

(6) the capital of the Bank will be 400 million gold marks;

(7) it will be directed by a German president and managing board, who can be assisted by a German consultative committee;

(8) the due observance of its statutes will be further safeguarded by a general board, of which half of the members, including a Commissioner, will be foreign.

VII.—Budget and temporary reparation relief.

Balancing the German budget requires :

(*a*) Full economic and fiscal sovereignty, subject to the supervision provided for in this report;

(*b*) a stable currency;

(*c*) temporary relief from charges on the budget for Treaty obligations;

(*d*) such relief not to suspend essential deliveries in kind.

VIII.—The basic principles of Germany's annual burden.

(*a*) Treaty obligations and continuity of balanced budgets.

(1) Balancing the budget does not entail merely provision for internal administrative expenditure.

(2) Germany must also provide within the utmost limit of her capacity for her external Treaty obligations.

(3) The budget can be balanced without necessarily dealing with the total capital debt of Germany.

(4) It cannot be continuously balanced, unless the annual charge is fixed for a considerable period, on a basis clearly prescribed in advance.

(*b*) Commensurate taxation :

(1) Government internal debt has been practically extinguished by the depreciation of the currency.

(2) New debt charge ought to be met, commensurate with the burden of the French, English, Italian and Belgian taxpayer.

(3) The Treaty recognises this principle.

(4) It is morally sound.

(5) It is economically just in its influence on costs of production.

(6) This principle has been applied to the full limit of practicability.

(*c*) Allies' share in Germany's prosperity.

(1) Germany's creditors must share in the improvement in Germany's prosperity.

(2) This will be secured by an index of prosperity.

(*d*) There is an important difference between the German's capacity to pay taxes and Germany's capacity to transfer wealth abroad.

IX.—Normal resources from which payments are made.

Germany will pay Treaty charges from three sources :—A. Taxes; B. Railways; C. Industrial debentures.

A. From her ordinary budget :

(1) 1924-25 budget may be balanced if it is free from Peace Treaty charges.

(2) 1925-26 budget receiving 500 million gold marks from special sources, may pay that sum for reparation.

(3) 1926-27, 110 million gold marks.[1]

(4) 1927-28, 500 million gold marks.[1]

(5) 1928-29, 1,250 million gold marks. This is considered a normal year and a standard payment; thereafter additional payments will be made, depending on prosperity.

B. From railways :

(1) Railway bonds—

(*a*) eleven milliards of first mortgage railway bonds against a capital cost of twenty-six milliards will be created for reparations;

(*b*) these bonds bear 5 per cent. interest and 1 per cent. sinking fund per annum;

(*c*) In view of reorganisation, interest is accepted as follows :

1924-25 : three hundred and thirty million gold marks;

1925-26 : four hundred and sixty-five million gold marks;

1926-27 : five hundred and fifty million gold marks;

1927-28 and thereafter : six hundred and sixty million gold marks.

Behind the bonds, there will be created :

2 milliards of preference shares to be reserved for sale to the public and

13 milliards of common stock.

3/4 of the proceeds of the preference shares will be applied, as required, to the payment of debt and for capital expenditure of the railways. The remaining 500 millions of preference shares and all the common shares go to the German Government.

(2) Transport tax.

After 1925-26, 290 million gold marks per annum for reparation, and balance to German Government.

C. Industrial debentures :

(1) Five milliards of industrial debentures are provided for reparation.

(2) The resulting charge on industry is less than that existing before the war and now wiped out by depreciation.

(3) These bonds bear five per cent. interest and one per cent. sinking fund, *i. e.*, 300 million gold marks per annum.

(4) Pending economic restoration, interest and sinking fund are accepted as follows :

First year.—Nothing.

Second year.—One hundred and twenty-five million gold marks.

Third year.—Two hundred and fifty million gold marks.

Thereafter.—Three hundred million gold marks.

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[1] Subject to addition or reduction in certain contingencies.

X.—Summary of provision for Treaty payments.

(*a*) 1. *Budget moratorium period.*

First year.—From foreign loans and part interest on railway bonds.

Total of 1,000 million gold marks.

Second year.—From part interest on railway bonds and on industrial debentures, budget contribution, through sale of 500 million gold mark railway shares.

Total of 1,220 million gold marks.

2. *Transition period.*

Third year.—From interest on railway bonds and on industrial debentures, from transport tax and from budget.

Total of 1,200 million gold marks (subject to contingent addition or reduction within the limit of 250 million gold marks).

Fourth year.—From interest on railway bonds and on industrial debentures, from transport tax and from budget.

Total of 1,750 million gold marks (subject to contingent addition or reduction within the limit of 250 million gold marks).

3. *Standard year.*

Fifth year.—From interest on railway bonds and on industrial debentures, from transport tax and from budget.

Total of 2,500 million gold marks.

Thereafter, 2,500 millions plus a supplement computed on the index of prosperity.

Interest on the securities, but not the proceeds of their sale, is included in these figures.

(*b*) The first year will begin to run from the date when the plan shall have been accepted and put into effective execution.

XI.—Inclusive amounts and deliveries in kind.

(*a*) The above sums cover all amounts for which Germany may be liable to the Allied and Associated Powers.

(*b*) Deliveries in kind are to be continued, but are paid for out of balances in the Bank.

XII.—How the annual payments are made by Germany.

(*a*) The amounts will be raised in gold marks and paid into the Bank.

(*b*) These payments cover Germany's annual obligation.

XIII.—How the payments are received by the creditors.

(*a*) Germany's creditors will use these moneys in Germany or convert them into foreign currencies.

(*b*) Experience will show the rate and extent to which the conversion can safely take place.

(*c*) Danger to stability through excessive remittances is obviated by a Transfer Committee.

(*d*) Sums not remitted accumulate, but with a limitation of amount.

XIV.—Guarantees, in addition to railway and industrial bonds.

(*a*) The following revenues are pledged as collateral security for budget contributions and other payments :—

(i) Alcohol.
(ii) Tobacco.
(iii) Beer.
(iv) Sugar.
(v) Customs.

(*b*) The yield of these revenues is estimated to be substantially in excess of required payments.

(*c*) The excess is returned to the German Government.

XV.—External Loan—Its conditions and purpose.

Foreign loan of 800 million gold marks meets a double purpose.

(*a*) Requirements of gold reserve of the new Bank.

(*b*) Internal payments for essential Treaty purposes in 1924-25.

XVI.—Organisation.

The Organisation consists of:

(*a*) A Trustee for railway and industrial bonds:

(*b*) Three Commissioners of (1) Railways, (2) the Bank, (3) Controlled Revenues;

(*c*) An Agent for Reparation Payments, who will co-ordinate the activities of the above and will preside over the Transfer Committee.

XVII.—The nature of the plan.

(*a*) The plan is an indivisible unit.

(*b*) The aim of the plan is:

(1) to set up machinery to provide the largest annual payments from Germany;

(2) to enable maximum transfers to be made to Germany's creditors;

(3) to take the question of "what Germany can pay" out of the field of speculation and put it in the field of practical demonstration.

(4) To facilitate a final and comprehensive agreement upon all the problems of reparations and connected questions, as soon as circumstances make this possible.

(3) Report.

We were invited by the Reparation Commission, by decision of the 30th November 1923, to

> "consider the means of balancing the budget and the measures to be taken to stabilise the currency" of Germany.

We have been in continuous session since January 14th, 1924, in Paris, except for one fortnight spent in Berlin.

We have called in to assist us eminent technical advisers on the various questions which have been under consideration, and have been in touch with representative German opinion.

We have the honour to present the following report, which states the unanimous conclusions formed as a result of our studies and enquiries.

Part I of this report states our conception of our task, our conclusions, and the broad outline of our plan.

Part II indicates the considerations which guided us to our conclusions, in particular so far as they result from certain aspects of the present financial and economic condition of Germany which is here described.

Part III consists of a series of Annexes which give the technical detail of our several proposals, and should be read as a supplement to the respective portions of Part I.

Part I.

The Committee's Conclusions and Scheme.

I.—The attitude of the Committee.

We have approached our task as business men anxious to obtain effective results. We have been concerned with the technical, and not the political, aspects of the problem presented to us. We have recognised indeed that political considerations necessarily set certain limits within which a solution must be found if it is to have any chance of acceptance. To this extent, and to this extent only, we have borne them in mind.

The dominating feature of the German budget is Germany's obligation to the Allies under the Treaty of Versailles. We have been concerned with the practical means of recovering this debt, not with the imposition of penalties and the guarantees which we propose are economic and not political. At the same time it is no ordinary debt with which we deal, for Germany suffered no appreciable devastation, and her primary moral obligation is toward those who have suffered so severely through the war.

As regards past history, it has not seemed necessary to establish the causes, nor the responsibility for those causes, which have operated to produce the present state of German finances and currency, except in so far as a recognition of their character is required for the prescription of remedies.

Finally, convinced as we are, that it is hopeless to build any constructive scheme unless this finds its own guarantee in the fact that it is to the interest of all the parties to carry it out in good faith, we put forward our plan relying upon this interest. We hope the character of our plan will itself assist in securing this guarantee, which is essential for its execution; but in the main, of course, it must be for others to take such measures as are necessary to maintain or assure it.

II.—German economic unity.

The Committee has had to consider to what extent the balancing of the budget and the stabilisation of the currency could be re-established permanently in Germany as she actually is at the present moment, with limitations as to her fiscal and economic rights over part of her area.

We should say at the outset that we have been unable to find any practical means of ensuring permanent stability in budget and currency under these conditions, and we think it unlikely that such means exist. The solution of the double problem submitted to us implies indeed the restoration of Germany's credit both externally and internally, and it has appeared to us impossible to provide for this restoration under the conditions mentioned. We have, therefore, been compelled to make the assumption that the fiscal and economic unity of the Reich will be restored and our whole report is based on this hypothesis.

III.—Military aspects.—Contingent sanctions and guarantees.

If political guarantees and penalties intended to ensure the execution of the plan proposed are considered desirable, they fall outside the Committee's jurisdiction.

Questions of military occupation are also not within our terms of reference.

It is however our duty to point out clearly that our forecasts are based on the assumption that economic activity will be unhampered and unaffected by any foreign organisation other than the controls herein provided. Consequently, our plan is based upon the assumption that existing measures, in so far as they hamper that activity, will be withdrawn or sufficiently modified so soon as Germany has put into execution the plan recommended, and that they will not be re-imposed except in the case of flagrant failure to fulfil the conditions accepted by common agreement. In case of such failure it is plainly for the creditor Governments, acting with the consciousness of joint trusteeship for the financial interests of themselves and of others who will have advanced money upon the lines of the plan, then to determine the nature of sanctions to be applied and the method of their rapid and effective application.

In saying this we wish to add at once that if the economic system now in operation in occupied territory is modified, we are unanimously of the opinion that a settlement of reparation must be reinforced by adequate and productive securities. We propose for this purpose a system of control which we believe will be effective, and at the same time such as not to impede the return to financial stability (*see* XIV below).

IV.—The Committee's task.

As the terms of reference indicate, two principal problems were submitted to us for enquiry : the stabilisation of German currency and the balancing of the German budget. It is self-evident that these problems are interdependent. The currency of a country cannot remain stable unless its budget is normally balanced, for if expenditure continually exceeds receipts there will in time be no alternative to the printing of new notes to meet the excess; and the inflation will inevitably involve depreciation. On the other hand, the task of balancing a budget, unless the currency is relatively stable, is an impossible one, for a falling currency makes calculations both of receipts and expenses unreliable, and in particular causes a continual loss to the taxing authority through the necessary interval of time between assessment and collection. While therefore in the nature of things it is necessary that the two problems should in the first instance be studied separately, their interdependence must be consistently borne in mind. In examining each of them separately, we have assumed for the minute that the other has been solved, without ever losing sight of the fact that the stabilisation of the currency and the balancing of the budget are means designed to enable Germany to satisfy her own essential requirements and to meet her Treaty commitments, the fulfilment of which is so vital to the reconstruction of Western Europe. It must not be forgotten that the performance of these commitments is of vital importance, not only for the countries having a claim on Germany, but also for Germany herself. It is, indeed, clear that a Germany whose economy had again become flourishing could not long resist a financial and economic crisis in the nations surrounding her. In order that the restoration of Germany may be definitive, the other nations must also return to the conditions requisite for their financial and economic existence and must likewise be enabled to carry on the normal exchange of goods on which the general prosperity depends.

V.—The economic potentialities of Germany.

The task would be hopeless if the present situation of Germany accurately reflected her potential capacity; the proceeds from Germany's national production could not in that case enable her both to meet the national needs and to ensure the payment of her foreign debts.

But Germany's growing and industrious population; her great technical skill; the wealth of her material resources; the develop-

ment of her agriculture on progressive lines; her eminence in industrial science; all these factors enable us to be hopeful with regard to her future production.

Further, ever since 1919 the country has been improving its plant and equipment; the experts specially appointed to examine the railways have shown in their report that expense has not been spared in improving the German railway system; telephone and telegraph communications have been assured with the help of the most modern appliances; harbours and canals have likewise been developed; lastly, the industrialists have been enabled further to increase an entirely modern plant which is now adapted in many industries to produce a greater output than before the war.

Germany is therefore well equipped with resources; she possesses the means for exploiting them on a large scale; when the present credit shortage has been overcome, she will be able to resume a favoured position in the activity of a world where normal conditions of exchange are gradually being restored.

Without undue optimism, it may be anticipated that Germany's production will enable her to satisfy her own requirements and raise the amounts contemplated in this plan for reparation obligations. The restoration of her financial situation and of her currency, as well as the world's return to a sound economic position, seem to us essential but adequate conditions for obtaining this result.

VI.—Stability of the currency.—A new Bank of Issue.

We propose to deal in the first place with the currency problem.

The present financial and currency position in Germany is stated in Part II. It will be seen that by means of the Rentenmark, stability has been attained for a few months, but on a basis which, in the absence of other measures, can only be temporary.

The Committee proposes the establishment of a new bank of issue in Germany, or, alternatively, a reorganization of the Reichsbank, as an essential agency for creating in Germany a unified and stable currency. Such a currency, the Committee believes, is necessary for the rehabilitation of Germany's finances, the balancing of her budget and the restoration of her foreign credit. The principal features of the bank plan, which is printed in Annex 1, are as follows:—

The bank is to have the exclusive right (with certain minor qualifications) to issue paper money in Germany for the period of its charter, fifty (50) years. All of the many kinds of paper money now circulating in Germany (except limited note issues of certain State banks) are to be gradually withdrawn from circulation, giving place to a single uniform paper currency, the bank-notes of the new bank. These bank-notes will be protected by a normal legal reserve of thirty-three and one-third per cent., and by other liquid assets. The reserve will be held largely in the form of deposits in foreign banks.

The plan contemplates that as a permanent policy the notes of the Bank shall be redeemable in gold, but the Committee is of the opinion that at the time of the inception of the Bank the situation will temporarily not allow of the application of the rule of convertibility. It therefore suggests that a currency should be created which will be kept stable in relation to gold and as soon as conditions permit be placed on a convertible basis.

Like the present Reichsbank, the new bank will serve as a bankers' bank, rediscounting the safest category of short-term bills, etc., and so establishing the official rate of discount. It will also handle for the other banks the giro system for the transfer of bank credits.

The bank will deal with the public, making short-time commercial loans and discounts, effecting transfers, and receiving deposits.

It will be the depository and the fiscal agent of the German Government. It may make short-term loans to the Government, but the amount and character of these loans are strictly limited, and the granting of such loans is carefully safeguarded. The German Government is to participate in the profits of the Bank but the Bank is to be entirely free from Governmental control or interference.

Treaty funds collected in Germany are all to be deposited in the new bank to the credit of a special account und are only to be withdrawable by the creditor nations under conditions and safeguards which will adequately protect the German exchange market and the interests of the creditor nations and the German economy.

The new bank will have a capital of four hundred million (400,000,000) gold marks, part to be subscribed in Germany and part abroad. It is to be administered by a German president and a German managing board, which can have the assistance, as in the case of the Reichsbank, of a consultative committee. Alongside of this German managing board there is to be another board, called the "General Board," which will consist of seven Germans and seven foreigners, one each of the following nationalities: British, French, Italian, Belgian, American, Dutch, and Swiss. This General Board is given broad powers in such matters of bank organisation and operation as might affect the interests of the creditor nations. One of the foreign members of the General Board will be known as the "Commissioner." He will be responsible for seeing that there is no infringement of the provisions relative to the issuance of notes and the maintenance of the Bank's reserves. Decisions of the General Board will require a majority vote of ten of the fourteen members, unless both the President and the Commissioner are included in the majority, in which case a simple majority will be sufficient. Thus, cooperation by members of both groups is necessary for action.

It has been suggested in various quarters that to ensure the Bank's independence of the Government, an issue department, which could be under the direction of the Commissioner and which would be responsible for the reserve and for the issue of

notes, should be established abroad. Such a guarantee is political rather than technical in character, and to propose it is outside the jurisdiction of the Committee.

A study of the Annex is essential to a thorough comprehension of the Committee's recommendations, and it has contented itself with drawing attention here to the main features to which it attaches importance.

Still assuming for the minute that the budget problem has been successfully surmounted, we believe that our recommendations furnish a practical method, not only of stabilising the German exchange, but of securing to German economy those credits in stable value which are essential to its reinvigoration and to the payment of reparation.

Labour also will benefit, for its interests above all are dependent upon stability. Some classes of the community may have compensations in the amazing overturn of fortunes which inflation brings—some benefit and others suffer. But for the working classes instability is wholly evil; it has no compensations whatever. In this connection, we may refer to the views expressed by the representative of labour who appeared before us in Berlin: "speaking not for the whole of the German people, but merely for the class which he represented, Herr Grassmann stated that the German working classes could not stand another period of inflation. They must appeal to the world for a stable currency which would render it possible for them to buy something with their wages even four weeks after they had received them." It is clear that if the statutes of the Bank are strictly observed there can be little danger of future inflation. One of the advantages to be expected is that foreign currencies immobilised in Germany, which are at present economically sterile, will be mobilised in the form of subscriptions or deposits to the Bank and return to economic uses.

VII.—The budget and temporary reparation relief.

Attention may now be directed to the other main aspect of our problem, the balancing of the budget. We propose to deal first with the general budget of the Reich, and secondly and separately with the railways, which at present are contributing nothing to the general budget.

In addition to a stable currency and the economic unity defined above, the budget requires certain relief from immediate charges for Treaty purposes, which, while securing the budgetary position, will not imply the cessation of the payments indispensable to the Allies in the form of deliveries in kind.

VIII.—The basic principles of Germany's annual burden.

(a) *Treaty obligations and their bearing upon the continuity of balanced budgets.*

It will be obvious that the balancing of the budget is, like the stabilisation of the currency, of little value unless it can be maintained. It is not enough to be satisfied that one or even

several budgets will be balanced. It is necessary to consider under what conditions, assuming sound administration, financial as well as currency stability can be continuously ensured, or rather under what conditions such stability once gained is likely to be endangered. It is inevitable therefore that we should look forward, not indeed in the same detail but with proper regard to the chief determinating factors, to those later years during which Germany will have gradually to liquidate her external Treaty obligations.

We repudiate, of course, the view that Germany's full domestic demands constitute a first charge on her resources and that what is available for her Treaty obligations is merely the surplus revenue that she may be willing to realise. But at the same time, if the prior obligation for reparation that is fixed for Germany to pay, together with an irreducible minimum for her own domestic expenditure, make up in a given year a sum beyond her taxable capacity, then budget instability at once ensues and currency stability is also probably involved. In that event, an adjustment of the Treaty obligations of the year is obviously the only course possible. The amount that can safely be fixed for reparation purposes tends therefore to be the difference between the maximum revenue and minimum expenditure for Germany's own needs. We shall naturally and inevitably be led to discuss later the amount of reparation payments which can be made out of budget resources and the method by which they can be effected, if the postulates of a stable currency and of a balanced budget are accepted. It would be to ignore both the plain dictates of justice, the practical conditions which must determine the acceptance or rejection of our proposals, and the context and obvious purpose of our terms of reference, if we approached our task from any other angle.

It might, indeed, be thought that if we have thus been involved in a consideration of reparation payments, it is only of such payments as are to be made during the reconstruction period of the next few years. Our task, it may be said, is to advise as to the way to attain stabilisation and a balanced budget, not as to the sums to be demanded from Germany when that aim has been achieved. But no such sharp division of periods is possible, for the following reasons:—

(1) The basis on which the budget is balanced at the end of the reconstruction period, and the sum it includes for reparation, must obviously determine to a large extent the sums payable in the following years. Otherwise, as we have said, an equilibrium, though once attained, might be rapidly lost. The effort would have been in vain and the same problem would again present itself.

(2) More important still is the fact that the success of our proposals to attain financial stabilisation depends essentially upon the return of confidence. Without this the return of German capital invested abroad, the attraction of foreign capital for the purposes mentioned in the scheme and of foreign credits for the current conduct of business, and even the proper collection of taxes, will alike be impossible.

Such confidence cannot be attained unless a settlement is now made which both Germany and the outside world believe will give an assurance that for a considerable period neither its finances nor its foreign relations will be endangered by renewed disputes. Such an assurance, as we shall see, does not mean making the charge on Germany a uniform one over a period of years, nor even deciding beforehand what the charge shall be in each of these years. But it does mean settling beforehand the method by which increases shall be determined.

When we speak of the adoption of such a method for "a considerable period," we are thinking primarily of the period which lenders and investors whose money is required as a part of our scheme will have in mind. As we shall see, our scheme needs both foreign and internal subscriptions to a bank of issue, and in particular, an external loan as an essential condition of enabling and assuring reparation payments. We fully recognise both the necessity and the justice of maintaining the principle embodied in the Treaty that Germany's payments should increase with what may prove to be the increase in her future capacity.

We also recognise that an estimate now made once for all might well underestimate this, and that it is both just and practicable that the Allies should share in any increased prosperity. All that we regard as essential as a condition of stabilisation is that any such increased demands to correspond with increasing capacity should be determined by a method which is clearly defined in the original settlement, and which is capable of automatic, or at least professional, impartial, and practically indisputable application.

This requirement we have tried to meet, as will be seen, by providing that in addition to a fixed annual payment, there shall be a variable addition dependent upon a composite index figure designed to reflect Germany's increasing capacity.

It is outside the competence of the Committee to establish a limit of years or of amount for the working of the index, nor is it within their competence to fix the number of annuities which Germany will have to pay, as this would practically mean the fixation of a new German capital debt. In any new arrangements made for a definite settlement of the various international financial obligations arising out of the war, it would be easy as regards the German debt to apply our plan to those new conditions.

(b) *Commensurate taxation.*

We have done our utmost to apply the principle of commensurate taxation.

It is not open to dispute, as a simple principle of justice, and it is contemplated by the Treaty that the German people should be placed under a burden of taxation at least as heavy as that borne by the peoples of the Allied countries. No single person in Germany, whether speaking as an individual or representing any section of the nation, has failed to accept that principle when it has been squarely put to him. Any limitation upon it, if there is one, must be a limitation of practicability and general economic

expediency in the interests of the Allies themselves. Obviously it is morally sound; and it would be clearly repugnant to all sense of natural justice that the taxpayers of countries with large and important regions devastated by the war should bear the burden of restoring them, while the taxpayer of Germany, on whose territory the war caused no comparable devastation, escaped with a lighter burden. The principle is, at the same time, economically just, for it is obviously unfair and in every way undesirable that the Allied taxpayer should be penalised by the fact either that taxes resulting from the war weigh more heavily upon him as a consumer, or that in competition in his business he should be handicapped by greater burdens on the costs of production, including wages, than his German competitor bears.

We have borne in mind both the importance of the virtual extinction of debt in Germany and the general burden of taxation in Allied countries. As we indicate more fully in Part II, there are many difficulties in theory and practice, but in spite of them we have done our utmost to secure that the proposals we make should involve a "commensurate burden" in the fairest interpretation and application of that principle which is practicable. We are satisfied that in what we propose we are not imposing a heavier burden; we are also satisfied that we have applied the principle as far as it is practicable in the interests no less of the Allies than of Germany.

(c) *An index of prosperity is necessary to enable the Allies to share in the increased prosperity of Germany.*

After a short period of recovery we believe that the financial and economic situation of Germany will have returned to a normal state, after which time the index will begin to operate.

The system of a variable annuity has the sanction of usage in the schedule of payments. But we venture to suggest for most careful consideration the advisability of altering the existing index, constituted by the value of exports. This index appears to us to be imperfect.

We are aware that there are cogent reasons both for and against any test which may be suggested, and we do not propose to examine them in detail. We are of opinion that the undoubted shortcomings of particular indices are neutralised to a large extent if a composite index is chosen, and we have a reasonable assurance that a fair measure of Germany's increasing prosperity will be obtained. Our suggestions, after considering many various alternatives for such an index, are given in Annex 2.

We take upon ourselves to recommend these suggestions, as an indication, to the attention of the Reparation Commission.

We are of opinion that at least during the period within which the loan which we propose is being amortised, the annual charge upon Germany should not be heavier than that which would result from the application of this index; nor would the Committee accept any responsibility for the balancing of the budget even in later years if heavier payments than the above were called for.

We propose that an average of years (chiefly 1926, 1927, 1928, and 1929) should be taken as the base; that the percentage increase shown by each of six sets of representative statistics (railway traffic, population, foreign trade, consumption of tobacco, etc., budget expenditure and consumption of coal) should be ascertained; and that the average of these six percentages should be taken as indicating the proportionate increase to be added to the Treaty sums demanded in a given future year.

Under this system Germany will retain her incentive to develop, as she retains the major part of the advantage of any increase in prosperity, while the Allies obtain a reasonable share in this increase and avoid the risk of losing through a premature estimate of future capacity.

At the same time, the adoption of a method involving not discretionary but automatic application, gives the necessary assurance from the commencement both to Germany and the world that Treaty demands will not, in the period to which the settlement relates, be again the subject of negotiation and dispute.

We propose, however, one further correcting factor of quite a different character which is only a precautionary measure and may never be actually involved. The Treaty prescribes Germany's obligations in terms of gold; and for convenience we have expressed our estimate in the same terms. But both the burden on Germany, and the advantage to the Allies of Treaty payments, consist of goods and services. Gold is only a measure of value, and over a long period of years may be an uncertain and defective one. It is only in the case of really important changes that any action is necessary and we therefore propose that a reduction or increase of the figures both as regards the standard and the supplementary payments should be made automatically in correspondence with changes in the general purchasing power of gold, whenever, by the decision of an impartial authority, such changes amount to more than 10 per cent.

(d) *The distinction between the taxpayers' "capacity to pay" in Germany and Germany's capacity to pay the Allies.*

There has been a tendency in the past to confuse two distinct though related questions, *i.e.*, first the amount of revenue which Germany can raise available for reparation account, and, second, the amount which can be transferred to foreign countries. The funds raised and transferred to the Allies on reparation account cannot, in the long run, exceed the sums which the balance of payments makes it possible to transfer, without currency and budget instability ensuing. But it is quite obvious that the amount of budget surplus which can be raised by taxation is not limited by the entirely distinct question of the conditions of external transfer. We propose to distinguish sharply between the two problems, and first deal with the problem of the maximum budget surplus and afterwards with the problem of payment to the Allies. In the past, the varying conclusions formed as to Germany's "capacity" have often depended upon which of these two methods has been chosen.

As a first method of approach the budgetary criterion has obvious advantages and attractions. Reparation must first be provided for as an item in the budget.

The budget itself is the sum of decisions taken by a single authority. It is capable of expert judgment and, within narrower limits of error, of calculation and analysis.

By comparison a country's "economic balance" defies exact calculation. The balance, even at a given amount, can only be estimated approximately, for the invisible exports and imports which constitute an important part of it cannot be known exactly. And a *potential* economic balance is much more uncertain. It depends not on the decisions of a single authority, but on the enterprise of individual merchants and manufacturers. Reparation demands themselves will increase it. The extent to which economic adaptation is possible over a long period of years, under the pressure of external obligations, is a matter of conjecture; an existing economic balance, before such obligations have been in operation long enough to have their effect on the economy of the country, gives a very uncertain criterion. The economic balance is therefore, by comparison with the budget, incapable of close calculation, "unmanageable" and too elastic.

But the limits set by the economic balance, if impossible of exact determination, are real. For the stability of a country's currency to be permanently maintained, not only must her budget be balanced, but her earnings from abroad must be equal to the payments she must make abroad, including not only payments for the goods she imports, but the sums paid in reparation. Nor can the balance of the budget itself be permanently maintained except on the same conditions. Loan operations may disguise the position—or postpone its practical results—but they cannot alter it. If reparation can, and must, be provided by means of the inclusion of an item in the budget—*i.e.*, by the collection of taxes in excess of internal expenditure—it can only be paid abroad by means of an economic surplus in the country's activities.

We have, it will be seen, attempted to give effect to both these sets of considerations by a method we believe to be both logical and practical. We estimate the amount which we think Germany can pay in gold marks by consideration of her budget possibilities; but we propose safeguards against such transfers of these mark payments into foreign exchange as would destroy stabilisation and thereby endanger future reparation.

By comparison with a system which reduced the sums considered possible on budget grounds because of considerations based upon estimates of the possible economic balance, this has the following advantages :—

(*a*) It enables the maximum sums to be obtained and paid to the Allies' account;

(*b*) any limitation upon transfers into foreign currencies will depend upon the exact economic position as it develops in fact and not upon a necessarily problematical estimate of it; and the limitation will only apply so far as it actually proves necessary;

(*c*) even so far as the sums paid in reparation cannot be completely transferred, they can, under certain conditions, be used by the Allies for internal investment in Germany.

Above all, we recommend our proposal for these reasons : it adjusts itself automatically to realities; the burden which should rest upon the German taxpayer should, in justice, so obviously be commensurate with that borne by the Allied taxpayer that, in our view, nothing but the most compelling and proved necessity should operate to make it lighter. It would be both speculative and unjust to attempt to forecast the possibilities of the future exchange position and to determine Germany's burden in advance with reference to a problematic estimate of it. Experience, and experience alone, can show what transfer into foreign currencies can in practice be made. Our system provides in the meantime for a proper charge upon the German taxpayer, and a corresponding deposit in gold marks to the Allies' account; and then secures the maximum conversion of these mark deposits into foreign currencies which the actual capacity of the exchange position at any given time renders possible.

IX.—The normal resources from which Germany should make payments.

With these principles in mind, we recommend that Germany should make payment from the following sources :

(A) From her ordinary budget.

(B) From railway bonds and transport tax.

(C) From industrial debentures.

We proceed to consider each of these in turn.

A. *Provision from the budget for treaty payments: budget equilibrium.*

To recommend what payments Germany can make from her ordinary budget, and from what dates, is in effect to answer the first of the two specific questions put to us, *i. e.*, how to " balance the German budget." For, in our view, if the economic and fiscal unity of the Reich is restored, if a stable currency is established, and if the budget is given temporary relief from Treaty payments, Germany should balance her budget from her own resources by a vigorous internal effort supported by the confidence which a general and stable settlement may be expected to give, and she should thereafter be able to maintain it in equilibrium, if the future charge for Treaty payments is determined by a method which assures that it will not exceed her capacity.

In other words, we do not consider that an external loan is needed—as in the case of Austria and Hungary—to be devoted specifically to meeting ordinary deficits during a transition period. External money is indeed an essential part of our scheme, in part for the establishment of a new Bank of Issue; in part to prevent an interruption of deliveries in kind during the transition period; and essentially, to create the confidence upon which the whole

success of the scheme depends. But we do not propose that it should be confined, or devoted specially, to meeting deficits on ordinary expenditure even during a transition period. On the contrary, as will be seen, we think that, from the beginning, internal resources should meet internal ordinary expenditure, and at a very early date should suffice in addition to make substantial contributions towards the external debt.

The present budget position is described in some detail in Part II, which includes our criticisms and recommendations as to the measures we think practicable for economising in expenditure and increasing taxation.

We confine ourselves here to our conclusions as to the provision that can be made for meeting Treaty payments.

(1) 1924-25 *budget*.—In the first year (1924-25) we consider that the ordinary budget may balance. Even if there is a deficit we are confident that it should not be such as to endanger the stability of the currency, and that at the worst the Government can meet it by the orthodox expedients—increases of existing taxation, further emergency taxes and internal loans.

Even if energetic measures are taken to obviate any deficit in 1924-25, we are satisfied that neither by reduction of expenditure nor by an increase in receipts can Germany be expected to provide out of budget resources for any Peace Treaty payments to the Allies, and that any demand for their payment would imperil both the structure of the budget and the stability of the currency. How relief can be otherwise provided for the reparation creditors will be considered separately.

The fundamental importance of the effect upon the stability of the Reich budget of the finances of the States (Prussia, Bavaria, etc.) and of the Communes has greatly exercised us, and we have stated our views on the system of subsidies and local expenditure in Part II.

(2) 1925-26 *budget*.—On passing to the budget for 1925-26, it is obvious that the existing data are insufficient for a precise judgment on its detailed prospects. Certain general conclusions are, however, possible.

On the revenue side, the lapse of a whole year of currency stability and readjustment should, of itself, increase receipts. The period of recuperation will not have been long enough completely to restore the yield of the income tax, but there will at least be gold mark profits of 1924-25 on which to frame a reasonable assessment. Consumption taxes should be directly affected by returning prosperity.

On the expenditure side it may be hoped, with some degree of confidence, that expenditure on unemployment will exhibit a notable decrease. The expenditure on the Army is capable of reduction. An automatic decrease will make itself felt in the pension charge. It is not to be expected on the other hand that sums thus saved on these or other heads will represent a net benefit to the budget. In particular, and this remark applies also to the budgets of the immediately succeeding years, increases

in the salary charges of the Reich which can probably not be entirely off-set by decreases in personnel must be anticipated.

Some increase of expenditure must therefore be expected. On balance, however, we are of opinion that the growth in receipts should be more than sufficient to counterbalance any increase in expenditure. Whatever views may be held about the eventual outcome of the 1924-25 budget, we are clear that the second year should show a substantial improvement upon it. The result of the first year therefore affects our view as to whether the result of the following year will be actually an appreciable surplus. If it should prove that the 1924-25 budget cannot be balanced by taxation alone, the improvement to be expected in the following year might not be more than sufficient to secure the balance desired. If, on the other hand, no loans were necessary in 1924-25, any improvement in the following year would be net surplus and entirely available for meeting Peace Treaty charges.

We are clearly of the view that if the two years are taken together, receipts should be sufficient to cover ordinary expenditure and we do not exclude the possibility of a small surplus. On the other hand it cannot be stated with certainty that the inclusion of a compulsory liability for Peace Treaty charges will not destroy the whole balance and it is obviously vital that the mistake should not be made of fixing as a first payment during recovery a sum which the circumstances may not justify. The stability of future reparation payments and German credit in general might thus be endangered.

There is another factor that must be taken into account. For the successful operation of the scheme for dealing with the railways to which we shall refer later, it is necessary that the proceeds of the transport tax to the extent of 250,000,000 gold marks should be withdrawn for this year from the revenue side of the budget and devoted to the payment of Treaty charges.

On the other hand that scheme also provides for the sale by the railway company of preference shares to the nominal value of 2,000,000,000 gold marks, one quarter of the proceeds accruing to the profit of the German budget and the balance providing for past and future capital expenditure of the railways. For the successful execution of the railway scheme we attach great importance to the sale to the public of these preference shares and we feel justified in assuming that before the end of the year 1925-26 the German Government will be in effective possession of 500,000,000 gold marks as a result of this transaction. The budget can therefore be reinforced to that extent and after making allowance for the withdrawal of 250,000.000 gold marks in respect of the transport tax there will be a balance of 250,000,000 gold marks which should be available for meeting Peace Treaty charges.

By the procedure we have indicated any danger of hampering future stability by a premature call upon the ordinary resources of the German budget will be obviated and there will be an additional inducement to transfer the preference shares to private ownership.

We therefore recommend that in the year 1925-26, Germany should be required to meet Peace Treaty charges out of her budget to the extent of 250,000,000 gold marks. If, contrary to our expectation, the budget fails to realise 500,000,000 gold marks from the sale of preference shares, we consider that any resultant deficit could be met by an internal loan.

The proceeds of the transport tax should thenceforth not figure in the revenue side of the budget except to the extent to which they exceed 250,000,000 gold marks in 1925-26 and 290,000,000 gold marks in subsequent years.

We once more reserve the question of providing for further reparation payments by other means.

(3) *The budget of later years.*—As we have said already, Germany's credit cannot rest upon the mere establishment of budget equilibrium. It must be clear that it can be permanently maintained. It is therefore necessary for us to consider what burden Germany can bear in the near future without danger to that equilibrium. In this connection, certain assumptions have necessarily been made. It has been considered that if for two years the budget is relieved from Peace Treaty charges and a stable currency is re-established, Germany ought in 1926 to be making rapid strides towards complete recovery, and should in three years, by 1928, reach a normal economic condition. We have taken into account the probable yield of her several taxes and her taxable capacity as a whole and the probable changes in expenditure under these improving conditions, und after making full allowance for error, we have reached definite conclusions as to the sums which can be fixed for Peace Treaty charges, without endangering the stability of the budget. These results we have considered in relation to the maximum probable rate at which the national income can be expected to grow from its present point and the maximum proportion of that growth which can successfully be absorbed in taxation.

We draw the conclusion that, allowance being made for some inevitable growth in expenditure, the budgets for the three subsequent years can safely provide for the following maximum sums:

	Million gold marks
1926-27	110
1927-28	500
1928-29	1,250

On the other hand, regard being had to the fact that it is difficult to estimate the recuperative power of Germany in 1926-27 and 1927-28, we would propose that these amounts should be regarded as subject to modification by a sum not exceeding 250 million gold marks on the following plan: if the aggregate controlled revenues as defined in Section XIV exceed one milliard in 1926-27 or 1,250 million in 1927-28, an addition shall be made to the above contributions equal to one-third of such excess. Conversely, if those aggregate revenues fall short of one milliard in 1926-27 or 1,250

million in 1927-28 the total contributions shall be diminished by an amount equal to one-third of the deficiency.

We believe that at the end of the fiscal year 1928-29, the financial and economic situation of Germany will have returned to a normal state, and that in this and subsequent years the ordinary budget should support the inclusion of a sum of 1,250 million gold marks. The total sums therefore to be provided from *ordinary budget resources* would be the standard payment of 1,250 million plus the additional sum (already referred to) computed upon the Index of Prosperity, as from 1929-30 onwards.

We have considered carefully the question of the amount to which the index should be applied and, as we are desirous that in the earlier years of her recovery German progress shall not be unduly handicapped by shortage of new capital, we think that it will be desirable to apply it to the purely budget contribution 1,250 million (or one half of the total standard payment) for the first five years of the application of the index, viz., 1929-30 to 1933-34. After that date, 1934-35, the index should apply on the full amount of the contribution, namely, 2,500 million gold marks.

B. *Railways.*

We have conducted, with the assistance of two eminent railway experts, a close examination of the situation of the German railways. The subject is an important one, for the railways have been operated since the Armistice at a constantly increasing loss, which has involved heavy burdens upon the German budget.

Most, if not all, railway systems have passed through a period of great difficulty since the war from causes which were largely beyond their control. It is clear, however, from a study of the report drawn up by the experts, which will be found in Annex 3, that the greatest difficulties were of the Germans' own making. The German railway administration cannot but plead guilty to two serious charges. In the first place, as is proved by the reduction which it is now possible to make, they have been enormously overstaffed, even when all account is taken of the introduction of an eight-hour day and of Peace Treaty charges justifying temporary disorganisation. In the second place, the administration has indulged in extravagant capital expenditure for which the official excuse is that construction was largely undertaken to ward off unemployment.

It is only just to observe that the situation has now improved out of recognition, though more remains to be done. The German Government have separated the railways from the ordinary administration and assimilated them in form, so far as is possible, to a business concern. Capital construction has been slackened and fares have at any rate been raised to a point where the railways are not only self-supporting, but can provide some profit.

These measures are, however, insufficient. The capital value of the railways is estimated by the experts on a conservative basis at 26 milliards. They are unencumbered with old debts, for their prior charges were extinguished by the depreciation of the mark, and these prior charges absorbed half the gross profits in the

pre-war period, which amounted to approximately one milliard gold marks, in spite of the fact that it was the custom to include in operating and maintenance charges large expenditures which might properly have been charged to capital account.

The railway experts are convinced, and we share their conviction, that under proper management, under unified control, and with a proper tariff policy, the railways can without difficulty earn a fair return upon their present capital value.

Nor need it be thought that this improvement in profits will be made at the expense of the German people by increasing their fares and the cost of all goods transported by rail. It can be substantially provided by the more economical administration of the railways themselves.

In saying this we have not in mind inadequate wages, but rather the elimination from operating and maintenance charges of certain elements of waste and also expenditure more properly chargeable to capital account.

The railway experts arrived, however, with considerable reluctance at the conclusion that it would be useless to expect anything approaching the full measure of improvement which is possible, so long as the railways remain in the control of the Government. The whole spirit of the Government's ownership in the past has been directed to running the railways primarily in the interest of German industry, and only secondarily as a revenue producing concern, and in their opinion a complete break with old traditions is essential.

We accept their conclusions and we recommend the conversion of the German railways into a joint stock company. It is not our intention thus to deprive Germany of the administration of her railways in favour of the Allies; on the contrary, our plan demands only a modest return on the capital cost, and so long as this return is forthcoming we do not anticipate any interference in the German management of the undertaking.

We would add that if, as the German Government has itself proposed, the exploitation of the railways is divided into several systems, this division should not affect detrimentally their financial unity.

The details of our proposals will be found in Annex 4, and we will content ourselves with giving only a broad outline at this point.

The Committee recommends that there should be paid from the German railways, 11 milliard gold marks to be represented by first mortgage bonds bearing 5 per cent. interest and 1 per cent. sinking fund per annum. The capital cost of the German railways computed on a gold mark basis is estimated by our experts at 26 milliards. The net earnings of these railways before the war, after liberal and indeed exaggerated charges to operating and maintenance, were as high as one milliard. The interest and sinking fund on these debentures represents less than 3 per cent. of the capital cost, which is a very modest charge on the capital investment compared with that required in many other countries of the world.

Realising that during the period of re-organisation of the railways, full interest and sinking fund charges should not be required, we think payments on account of interest should be as follows :

1924-25 : three hundred and thirty million gold marks ;
1925-26 : four hundred and sixty-five million gold marks ;
1926-27 : five hundred and fifty million gold marks ;
1927-28 and thereafter : six hundred and sixty million gold marks. This is regarded as a normal year.

In addition to the 11 milliards of bonds, the new railway company is to have a capital of 2 milliards of preference shares and the remainder of its capital cost, namely 13 milliards, is to be represented by common stock. $1^1/_2$ milliards of preference shares are to be set aside in the treasury of the company, for sale to private persons to provide funds for the payment of existing indebtedness and future capital expenditures. The proceeds of the sale of the other 500 millions of preference shares and all of the common shares are to go to the German Government.

The railways are to be managed by a board of 18 directors of whom nine will be chosen by the German Government and the private holders of preference shares, and the other nine will be named by the Trustee of the bonds, five of whom may be German. It is therefore contemplated that the board will have fourteen German members. The chairman of the board and the General Manager of the railways will be German.

It is contemplated that the railway company will be free to conduct its business in such manner as it may think proper, provided always however that the German Government will have such control over its tariffs and service as may be necessary to prevent discrimination and to protect the public. Such Government control however is never to be exercised so as to impair the ability of the railway company to earn a fair and reasonable return on its capital cost.

The Railway Commissioner represents the interests of the bond holders. His principal duty will be, in the absence of default in interest, to receive reports, statistical and financial returns, and generally to see that the interests of the bond holders are not menaced.

C. *Industrial debentures.*

The Committee has been impressed with the fairness and desirability of requiring as a contribution to reparation payments from German industry, a sum of not less than 5 milliards of gold marks, to be represented by first mortgage bonds bearing 5 per cent. interest and 1 per cent. sinking fund per annum. This amount of bonds is less than the total debt of industrial undertakings in Germany before the war. Such indebtedness has for the most part been discharged by nominal payments in depreciated currency, or practically extinguished. In addition the industrial concerns have profited in many ways through the depreciated currency, such as the long delayed payment of taxes, by subsidies granted and advances made by the German Government, extinction of the real value of bank debts, and by depreciation of emergency money which they have issued. On the other hand it is incontestably true

that there have also in many instances resulted losses, through the depreciation of currency, from the sale of output at fixed prices and in other ways.

It is unnecessary for the Committee to make an estimate of the total amount of such profits and losses; it is sufficient to say that the Committee is satisfied that a burden of mortgage debt of the amount of 5 milliard gold marks on the industries of Germany, fairly apportioned, bearing a moderate rate of interest and payable on long maturity, does not create a burden greater than that which would have existed had there been no depreciation of currency.

In fact the fairness of such a proposal has been recognised by the German Government itself in a proposal submitted on 7th June, 1923, to all the Allied and Associated Governments.

This proposal was later confirmed by persons in high authority in the subsequent and present German Governments.

The offer referred to above was of ten milliard gold marks, covering business, industry, banking, trade, traffic and agriculture. The request of the Committee is for 5 milliards only and it suggests the exemption of agriculture from the obligations of the mortgage.

Realising the importance of agriculture to a nation unable to provide its entire food supply, we feel more reserve in making a recommendation as to the burdens which should fairly be put on it, though we cannot close our eyes to the fact that a very large amount of agricultural indebtedness has been discharged at merely nominal figures and the owners of equity in land have realised substantial profits at the expense of their former creditors.

We desire to make it clear that the Committee in asking for mortgage bonds on industries does not recommend in any sense an unfair or discriminating burden against them, and so we do recommend that equalisation be properly and fairly made by the German Government for the benefit of its own budget. If in the opinion of the German Government a burden on other property should be imposed in order to equalise the burden of reparation payments on property other than industrial property, we recommend that it be done in favour of the German budget either by a further valorisation tax or by a specific lien or otherwise. If this course be followed and a fair and accurate system of direct taxation be adopted the Committee believes that all classes in Germany will be called upon to make their fair and reasonable contribution to Peace Treaty charges either through direct or indirect taxation.

Realising the depletion of the liquid capital supply in Germany, and that a period should be provided for its recuperation, we recommend that the interest on the 5 milliards of debentures above referred to be waived entirely during the first year, that the interest during the second year be 2½ per cent., during the third year 5 per cent., and thereafter 5 per cent. plus 1 per cent. sinking fund. In the event of default in the payment of interest, sinking fund or principal on any of the said debentures, provision has been made for recovery from the German Government through the Commissioner of Controlled Revenues.

The plan will be found in Annex 5.

X.—Summary of provision for Treaty payments.

We are now in a position to summarise the full provision we contemplate for Treaty payments :

	Million gold marks
Budget moratorium period:	
First year : from foreign loan and part interest (200 millions) on railway bonds;	
Total of	1,000
Second year : from interest on railway bonds (including 130 millions balance from first year) and interest on industrial debentures and budget contribution, including sale of railway shares ;	
Total of	1,220
Transition period:	
Third year : from interest on railway bonds and industrial debentures, from transport tax and from budget;	
Total of	1,200
subject to contingent addition or reduction not exceeding 250 gold marks.	
Fourth year : from interest on railway bonds and industrial debentures, from transport tax and from budget;	
Total of	1,750
subject to contingent addition or reduction not exceeding 250 million gold marks.	
Standard year:	
Fifth year : from interest on railway bonds and industrial debentures, from transport tax and from budget;	
Total of	2,500

The first year will begin to run from the date when the plan shall have been accepted and made effective.

We must point out that the total figures indicated for each year must include the sums paid by the German budget, the railway company, or the debtors on industrial debentures, whoever may be the actual recipients of these sums, the Reparation Commission, the capitalists who purchased securities, or even the debtors themselves if they have repurchased their bonds.

These figures clearly do not include the proceeds from the sale of capital assets which may be effected by the creditor governments. As soon as the plan is put into execution, the Reparation Commission will be in possession of bonds for 16 milliard marks, which may be sold to the extent to which the financial markets are capable of absorbing them. Subsequently, bonds representing the transport tax and the contribution from the budget may be issued, and will enable the governments to realise the capital of their claims.

XI.—Inclusive amounts. Deliveries in kind.

The inclusive nature of the payment.

Before passing from this part of our report we desire to make it quite clear that the sums denoted above in our examination of the successive years, comprise all amounts for which Germany may be liable to the Allied and Associated Powers for the costs arising out of the war, including reparation, restitution, all costs of all armies of occupation, clearing house operations to the extent of those balances which the Reparation Commission decide must legitimately remain a definitive charge on the German Government, commissions of control and supervision, etc. Wherever in any part of this Report or its Annexes we refer to Treaty payments, reparation, amounts payable to the Allies, etc., we use these terms to include all charges payable by Germany to the Allied and Associated Powers for these war costs. They include also special payments such as those due under Articles 58, 124 and 125 of the Treaty of Versailles.

The funds to be deposited in the special account in the bank are to be available for the foregoing purposes, notwithstanding anything in this Report which may be interpreted to the contrary, though in saying this we are not to be read as prejudicing questions of distribution or questions of priority between the various categories of charges.

We venture to emphasise the fact that from the point of view from which we are called upon to regard the question, these obligations of Germany are one, and that any addition to one category of charges can only be made at the expense of another.

The Committee have noted the important fact that Germany is not in a position to ascertain her liabilities out of the Peace Treaty as demands are made upon her from time to time during the year, which cannot be calculated beforehand. It appears to us a matter of impossibility for any budget to be scientifically compiled and satisfactorily balanced under such an arrangement, and that therefore means should be found to bring this system to an end. The difficulty will be satisfactorily met if Germany's liabilities for any particular year are absolutely limited according to our plan and, as suggested above, made inclusive of all possible charges, whether in or outside Germany, including the costs of the administrative controls which are set up by our plan.

Deliveries in kind.

We have given special attention to the question of deliveries in kind: in their financial effects, deliveries in kind are not really distinguishable from cash payments, and they cannot in the long run exceed the true surplus of German production over consumption available for export without either upsetting the exchange or rendering foreign loans necessary.

Having made this clear we have to remember that—

(1) deliveries in kind are dealt with in the Treaty;

(2) they are now an inevitable part of the economic conditions of several of the Allies, and cannot be wholly removed without considerable dislocation;

(3) if the principle is not carried too far, they may represent a stimulus to German productivity and therefore the creation of a greater export surplus;

(4) they may help in avoiding such surplus being absorbed by the prior action of private German investment abroad. In this connection, the maintenance of the system of deliveries in kind, if not carried too far, may act in a manner to keep the transfer as large as possible and to give the Allies priority.

While, therefore, we recognise the necessity for the continuance of deliveries in kind, we think that unless they can be confined to natural products of Germany, such as those specifically dealt with in the Treaty (coal, coke, dyestuffs, etc.), and in the second place to exports which do not entail the previous importation into Germany of a large percentage of their value, they tend to be uneconomic in character.

In the first two years of the operation of the plan the available finance is so restricted that there will be an automatic limitation of deliveries, but in the later period the programme must be carefully and periodically considered in advance by the Reparation Commission in conjunction with the Committee referred to in Section XIII if exchange difficulties are to be avoided.

We refer below to the necessity of expending almost exclusively within Germany the sums available for Treaty payments in 1924-25 and 1925-26. In these circumstances, the Allied Governments will doubtless consider whether it is not advisable to continue the system whereby the costs of armies of occupation were a first charge upon the proceeds of deliveries in kind made to the Governments which maintain the armies.

Where we have referred to payments for deliveries in kind in this Report we have intended to include therein payments in Germany arising through the operation of the Reparation Recovery Acts.

XII.—How the payments are to be made.

All payments for the account of Reparations (whether from interest and sinking fund on railways or industrial debentures, the transport tax, or from the budget contribution) will be paid in gold marks or their equivalent in German currency into the Bank of Issue to the credit of the "Agent for Reparation Payments." This payment is the definite act of the German Government in meeting its financial obligations under the plan. It is easier to estimate the burden that Germany's economic and fiscal resources can bear than the amount of her wealth that can be safely transferred abroad, and it is the former and not the latter that has formed the first objective of the Committee.

XIII.—How the payments are to be received.

The use and withdrawal of the moneys so deposited will be controlled by a Committee, consisting of the Agent for Reparation Payments (a co-ordinating official under the Reparation Commission, whose position and duties are defined later in this report)

and five persons skilled in matters relating to foreign exchange and finance, representing five of the Allied and Associated Powers. This Committee will regulate the execution of the programme for deliveries in kind and the payments under the Reparation Recovery Act, in such a manner as to prevent difficulties arising with the foreign exchange.

They will also control the transfer of cash to the Allies by purchase of foreign exchange and generally so act as to secure the maximum transfers, without bringing about instability of currency. Fuller details as to their functions will be found in Annex 6. If the payments by Germany on reparation account, in the long run, exceed the sums that can be thus transferred by deliveries or by purchase of foreign currencies, they will of course begin to accumulate in the Bank. Up to a certain point, in normal circumstances not exceeding two milliards, these accumulations will form part of the short money operations of the Bank

Beyond this point, the Committee will find employment for such funds in bonds or loans in Germany under the conditions laid down in the Annex, but, for economic and political reasons, an unlimited accumulation in this form is not contemplated. We recommend that a limit of five milliards be placed upon all funds accumulating in the hands of the reparation creditors in Germany. If this limit is reached, the contributions from the budget are to be reduced below the standards set out in our plan, so that they are not in excess of the withdrawals from the account and the accumulation is not further increased. In this contingency, the payments by Germany out of the budget and the transport tax would be reduced until such time as the transfers to the Allies can be increased and the accumulation be reduced below the limit named.

We do not deny that this part of our proposal will present difficulties of a novel character which can only be solved by experience. But what are the alternatives ?

In order that no difficulties with exchange or stability can possibly arise, the sum payable for reparation may be definitely fixed at such a figure as is certain beyond all doubt to be within Germany's capacity to export in excess of her imports. In this case the attainment of such certainty would involve so low a figure as to be quite unacceptable to her creditors and unwarrantably favourable to Germany.

On the other hand the liability may be fixed without regard to that excess of exports at all, and the discharge of the liability left to uncontrolled events without any possible regard to exchange difficulties. That way lies future instability and disaster.

We are convinced that some kind of co-ordinated policy with continuous expert administration in regard to the exchange, lies at the root of the reparation problem and is essential to any practicable scheme in obtaining the maximum sums from Germany for the benefit of the Allies.

XIV.—Guarantees in addition to railway and industrial bonds.

It is plainly not enough to demonstrate the feasibility of raising the sums under consideration. It is desirable, in the common interest, that means should be devised for securing that the possible

surplus is actually established. The greater the extent to which payment may be rendered automatic and a matter of habit, and independent of fluctuating political attitude towards reparation, the less will be the friction and the greater will be the real stability of the German budget. In the last resort the best security is the interest of the German Government and people to accept in good faith a burden which the world is satisfied to be within their capacity, and to liquidate as speedily as possible a burden which is and should be onerous.

Creditors, however, are not usually satisfied with a moral security and experience and the present condition of Germany's finances are such as to reinforce their natural desire for tangible and productive guarantees.

These are no less vital in the interest of Germany herself, who will be relieved of a large part of her political troubles if the main source of political controversy is removed by a system which no longer makes the payment of reparation depend upon the constant maintenance or renewal of Governmental decisions. In particular, it is vital in the interests of our scheme, which depends for its success on the assured belief of the whole world in the regular observance of a settlement once made.

On the other hand, we do not hesitate to reject as undesirable, for the purpose which all have in view, save in certain extreme events, any system which would involve directly or indirectly the virtual control of all Germany's revenue and expenditure. It would involve the controlling authority in responsibility for all financial troubles, and it might be a pretext for them.

The use of this safeguard of general budgetary control should be reserved for the case of Germany's wilful failure to meet the obligations now laid upon her.

If, as we believe, the payments which we have suggested can be made without compromising budget stability, it is in our opinion not impossible to establish a system under which a combination of self-interest and latent pressure will suffice to assure sound financial administration. We believe that the object can be attained if, without in any way impairing the first charge which now exists in favour of reparation on all Germany's assets, certain specific revenues are assigned to, and under the control of, Germany's creditors. These revenues will furnish a collateral, but not a primary, security and we suggest that they should be the taxes on customs, alcohol, tobacco, beer and sugar.

We propose for this purpose that they should pass directly into the hands of an impartial and effective control ; that the Treaty payments should first be deducted by the controlling authority for the account of the Allies ; and that Germany should only have the use for her own purposes of such balance as may remain.

We believe that this system contains the greatest degree of effectiveness without involving the Allies in the onus of responsibility for any breakdown in the execution of the plan.

We recommend that the control should be instituted forthwith in spite of the fact that the budget supports no Peace Treaty charge in the year 1924-25.

We make this recommendation for two reasons: Germany, by instituting this control, puts this part of the plan into execution in a definite and public manner, and in the second place early action will ensure that control is in effective operation at the moment when part of the revenues is retained by Germany's creditors.

We would add that while leaving untouched the existing alcohol monopoly, we do not, in view of reports received from technical experts, propose the transformation of consumption duties into new monopolies, though we recommend certain important new regulations with regard to the sale of tobacco.

Controlled revenues: their yield.

The estimate made by the German officials of these revenues for the year 1928-29, exclusive of customs, was 1,700,000,000 gold marks.

The technical advisers specially consulted by the Committee have estimated the yield at 2,146,000,000 gold marks and the yield for subsequent years should be higher.

There is every prospect, therefore, that the assigned and controlled revenues will give a large margin over the Treaty charge payments, even in the standard year, of 1,250,000,000 gold marks. The revenues are a *security* for a payment otherwise fixed. This principle renders possible a system of control which, while equally effective, is much more simple in operation, and is strengthened by the association of Germany's self-interest. Once the Treaty charges are met she is entitled to the whole balance, and therefore she has the fullest inducement to increase the yield. But she can touch no part of the revenues in a given period until the Treaty charges are fully met; so that every increase operates in the first instance to increase the Allies' security.

We have suggested above that in the years 1926-27 and 1927-28 the amount of reparation to be paid should be dependent, to some extent, on the yield of these particular revenues. In order that there may be no misunderstanding, we desire to state clearly that, in our opinion, this arrangement should be strictly confined to the two years in question and be regarded as exceptional.

We believe it to be of the greatest importance that the revenues should normally be regarded strictly as security, and should not be relied upon in the ordinary course as the determinant of the actual sum to be paid as reparation. In particular, if the yield of the revenues exceeds the amount to be secured, the excess should accrue to the German Government. Our reasons for holding these opinions are more fully stated in Part II.

XV.—External Loan—its conditions and purpose.

An integral part of our scheme is the issue by Germany of a foreign loan of 800,000,000 gold marks; this loan is primarily essential for the successful establishment of the new bank and to ensure the stabilisation of the currency. The deposit of this amount in the new bank will be an important and necessary contribution to its gold reserves and enlarge the basis of its currency issues. It will thus be enabled, in the second place, without impairing its

usefulness for the above, to play an important part in solving the problem created by Germany's immediate and more urgent obligations to the Allies which do not necessitate the transfer of money abroad.

We have already stated our conclusion that Germany should not be called upon in the years 1924-25 and 1925-26 to provide for any Treaty charges out of ordinary budget resources, and we have deferred to this point indication of means by which a complete suspension of payments may be avoided.

The current liabilities of Germany under the Treaty, other than liabilities for cash payments in foreign currencies, comprising the most essential deliveries in kind, and costs under a number of other heads, are known to be considerable. Although their precise amount is not easily determinable, they aggregate to a large amount, and if no arrangement is made for meeting or reducing them, they form a formidable obstacle in the way of a complete solution.

In the year 1924-25, the extra-budgetary resources can be relied upon to provide 200 million gold marks, being interest on railway bonds. The question arises whether a further sum can be provided.

We first considered whether Germany would have sufficient credit at the outset to meet the full amount of her charges by loans or capital assets. In our view, it is impossible to say that she could obtain funds, until her position is well established, adequate to discharge them. But it does not follow that the most pressing of the demands cannot be met, for a considerable sum can certainly be raised upon the good security that the plan provides, with a clear prospect of improved international political position and of stability. The question is therefore, whether the claims upon Germany can be so reduced by agreement among the Allied creditors as to come within this potential credit. If they can, then obviously the greater the reduction, the more moderate the sum to be raised and the greater the probability of Germany successfully raising a loan. If not, then the loan will not be forthcoming, stability cannot be ensured, and neither this plan nor any other can come into being. The successful launching of the scheme depends therefore upon three main factors :

(*a*) limitation of payments for all purposes to 1,000 million gold marks, of which at least eight hundred millions must be spent in Germany for the first year, and thereafter to such sums as are available under the plan during the succeeding years ;

(*b*) co-operation between the Allies and Germany in securing political conditions which will incline the investors of the world favourably towards the German loan upon good security; and

(*c*) a loan of 800 million gold marks which will serve the double purpose of assuring currency stability and financing essential deliveries in kind during the preliminary period of economic rehabilitation.

It will be seen that under the plan, among the different revenues available, ample and sufficient security could be found to form the basis of such a loan, both as to interest and sinking fund.

Obviously, the first loan should be fully secured, but it is equally true that it is neither in the interest of a first loan nor of the Reparation Commission to create a situation which would prejudice the flotation of subsequent German loans or the realisation of the capital assets provided for in the plan.

The amount required for the service of this first and any subsequent loans must be deducted from the sums which in subsequent years can, in accordance with our plan, be placed at the disposal of Germany's creditors. In effect the loan is only an anticipation of the sums subsequently available which, it is necessary to emphasise, represent in our opinion the maximum burden and therefore one not capable of increase.

It is not for us to offer suggestions as to the priority of claims or how the sums should be distributed. On this aspect of the matter we confine ourselves to stating that in the interest of currency stability and to aid the successful inauguration of the new bank, the proceeds of the loan should be used exclusively for financing internal payments, such as deliveries in kind (whether direct or by the operation of the Reparation Recovery Act), and that part of the costs of the armies of occupation which represents expenditure in Germany by or on behalf of these armies. But we do assert that, if, as we believe, Germany's credit will be good enough to float such a loan, it is natural and necessary that her credit should be employed to ease the burden on her creditors during the period of her own recovery.

In the year 1925-26, the problem is somewhat different in character. The reasons which make a foreign loan essential in the first year should have largely disappeared. If confidence is in process of re-establishment a large reflux of capital to Germany is to be expected. People whose object in transferring money abroad or in hoarding foreign notes within Germany has been simply to ensure against further loss, will, to a great extent, reconvert this capital into German currency. Other things being equal, the German currency and exchange situation will continue to improve, a phenomenon which has been clearly exhibited in the last twelve months in Austria.

The exchange position of Germany will, therefore, be relatively strong and her budget position relatively weak. In the few succeeding years the position will be exactly reversed; the exchange will become normal, but weaker than during the abnormal period of reconstruction, while budget resources should be enormously strengthened.

In view of these facts, we see no danger, and perhaps positive advantage, in requiring that during 1925-26 deliveries in kind and that part of the costs of the armies of occupation spent in Germany by or on behalf of the armies, should be financed up to 1,220 million gold marks by sums raised in Germany itself.

The above sum is made up of (i) railway interest, partly carried over from the first year, amounting to 595 million gold marks (ii) the transport tax to the amount of 250 million gold marks (iii) interest on industrial debentures amounting to 125 million gold marks,

and (iv) 250 million gold marks from the budget provided by the sale of Railway Preference Shares belonging to the German Government. If for any reason the whole of the above sums are not provided, the balance should be raised by a German internal loan.

XVI.—Organisation.

The Committee's plan provides for a Commissioner of the Bank of Issue, a Commissioner of Railways, a Commissioner of Controlled Revenues, the last-named to have under his control a certain number of sub-Commissioners severally entrusted with the special revenues under consideration, and if the need arise for a Commissioner of Industrial Debentures.

The plan also provides for an Agent for Reparation Payments.

In order that the machinery thus set up by our plan may function properly, both in relation to the Reparation Commission and in its German environments, there must be an agency between the Reparation Commission and the various Commissioners. We suggest that this co-ordinating agency devolve upon the Agent for Reparation Payments.

The Commissioners would retain all responsibility for the carrying out of the task entrusted to each, only subject to such co-ordinating policies as may prove necessary in order to avoid any duplication of effort, overlapping of functions, unnecessary friction and generally all interference with the harmonious working of our plan.

In case of a difference of opinion between one Commissioner and the "Agent General for Reparation Payments" in his capacity as co-ordinator, the Commissioner can appeal to the Reparation Commission. The existence of this right of appeal will have a salutary effect upon the relations of the co-ordinating agency and the different Commissioners.

To facilitate the interchange of information which will develop a situation in its entirety for appropriate action, a general co-ordinating board is also suggested in which the various Commissioners or representatives named by them will participate, together with the "Agent for Reparation Payments" and the Trustee. The co-ordinating board is to have advisory powers only, and is for the purpose of giving information to the Agent General to assist him in preparing co-ordinating orders.

These suggestions are naturally far from exhausting this important subject, one of the most important of our plan. They are laid down simply as an indication, as the drafting of the rules for such a co-ordination will devolve upon the Reparation Commission, so far as they have power, and upon the various Governments.

Rules should be laid down for the rendering of periodical reports and for the publication of such as the public interest may require.

We desire, however, to record in this connection that the expense of the new machinery provided for by the plan can and should be contained within the limited amounts, and in any case be included in the annuities already contemplated.

Trustee.—The plan also provides for the appointment of a Trustee with the following duties:—

He will receive and administer the railway and industrial bonds and will be accountable to the Reparation Commission for these and all other securities.

He will ensure the service (interest and amortisation) of the railway and industrial bonds by means of funds remitted to him for this purpose by the Agent for Reparation Payments.

He will fix the conditions of the amortisation of the bonds and if necessary the redemption at par of all or a part of the bonds not yet amortised, by means of any supplementary payments which may be made by the German Government, the Railway Company or industry.

With the authorisation of the Reparation Commission and for its benefit, the Trustee may sell the bonds which he holds, and may use the mortgage bonds and deeds which he holds to secure new securities which he may himself issue.

Both the Agent and the Trustee should be appointed by the Reparation Commission.

In framing the organisation of control, the Committee has adopted as fundamental the principle that, if the plan is to yield the best financial results, it is desirable that control should be of such a nature as not to involve the assumption of responsibility by the Commissioner for German administration, though the Committee recognise that this principle cannot be adhered to in case default under the plan arises.

XVII.—The nature of the plan.

In concluding this part of our report, there are several points which we desire to emphasise.

In the first place we regard our report as an indivisible whole. It is not possible, in our opinion, to achieve any success by selecting certain of our recommendations for adoption and rejecting the others, and we would desire to accept no responsibility for the results of such a procedure nor for undue delay in giving execution to our plan.

In the second place, as we have remarked earlier, our plan is strictly dependent upon the restoration of Germany's economic sovereignty, and it is important to observe that the operation of the plan will be proportionately postponed if there is a delay in effecting that restoration. The various dates which we mention in the report must be interpreted in the light of the above remark.

From the standpoint of the taxpayer in creditor countries the plan means in due course an annual relief to the extent of two and one-half milliards, plus such additional amount as the index of prosperity may provide.

On the other hand, from the standpoint of the taxpayer in Germany, the plan means a direct burden of only one-half this sum, viz.: one and one-quarter milliards per year, and the transport tax, plus such additional amount as may represent only a relatively small share in increased prosperity. The German taxpayer can look without anxiety upon the remainder of the payment of two

and one-half milliards, for it represents a relatively small burden on German industry, which has been the beneficiary of substantial special profits and only a modest return on a large capital invested in railroads which are yielding him no relief in taxation in his budget at present, such capital having been accumulated prior to the war. We are satisfied that the contributions from railway and industrial debentures will not be reflected to any substantial degree in a burden to the individual German taxpayer; as regards the railways it will only require the same kind of return as exists in similar enterprises in many countries.

Our purpose has been to set up a machinery which will secure the maximum payment which Germany can make in each year in her own currency. We do not speculate on the amount which can annually be paid in foreign currency or on Germany's capacity to make a total payment.

The Committee is confident that it lies within the power of the German people to respond to the burdens imposed by the plan, without impairing a standard of living comparable to that of the Allied countries and their neighbours in Europe, who are likewise subject to heavy burdens, largely resulting from the catastrophe of the war.

We have not concealed from ourselves the fact that the reconstruction of Germany is not an end in itself. It is only part of the larger problem of the reconstruction of Europe.

We would point out finally that while our plan does not, as it could not properly, attempt a solution of the whole reparation problem, it foreshadows a settlement extending in its application for a sufficient time to restore confidence, and at the same time is so framed as to facilitate a final and comprehensive agreement as to all the problems of reparation and connected questions as soon as circumstances make this possible.

Part II.

I.—The currency position.

The conditions at the outset of our enquiry.—When we started our investigations the value of German currency had been stable for some two months. It would not have been pretended, however, by any authority, that German currency had been stabilised. It would perhaps be juster to apply the term "unstable equilibrium" than the term "stability" to this transition period, which has fortunately continued to the present day. The elements of permanent stability, even if the repercussions of the budget situation are momentarily left out of account, were then and are still wanting.

One of the first steps which the Committee took was to request Dr. Schacht, the Governor of the Reichsbank and the Currency Commissioner of the Reich, to give evidence before them with a view to their being fully informed of the existing currency situation.

Quantity of currency.—The total circulation, although so enormous in nominal values, was, when reduced to its gold equivalent at that date, something over 3 milliard gold marks only, whereas the pre-war circulation in Germany had amounted to 6 milliard gold marks. *Primâ facie,* therefore, the amount of currency seemed deficient rather than excessive, and not likely in itself to be a cause of further depreciation. In proportion as the German mark dwindled in value and became less and less utilisable for the threefold function of standard of value, instrument of payment and medium of saving, foreign currencies naturally became, by force of circumstances, more and more sought after in Germany. The Germans resorted increasingly to the currencies of countries with a comparatively stable exchange, not only to invest their savings, but also to define and even settle their transactions, and the presence of such currencies in Germany increased ever more as the mark depreciated further.

In spite of this extended use of foreign currencies in Germany, the shortage of purchasing power made itself increasingly felt, leading first the German Government, then the States and municipalities, and finally the great industrial and agricultural organisations, and even private firms, to supplement the currency shortage by new instruments of payment. These token currencies, expressed in gold or paper marks, sprang up in Germany in the summer of 1922, at a moment when the need became urgent to find new means to meet the requirements of current transactions, the old mark, on the verge of its collapse, no longer answering such requirements.

At the end of 1923, we find in Germany an absolutely heterogeneous monetary circulation, which included—besides the foreign money in circulation or hoarded (dollars, pounds, florins, gulden, Swiss francs, French francs, Scandinavian crowns, etc.) —the old paper marks, Dollar Treasury bonds (Dollarschatzanweisungen), bonds of the Gold Loan (Wertbeständige Anleihe), 6 per cent. Treasury Bonds (6 per cent. Schatzanweisungen), Rentenmarks, and lastly a whole set of odd emergency currencies (Notgeld) expressed either in gold or in paper marks.

Backing.—The security of the Rentenmarks is a mortgage on real and to some extent on personal property. The so-called gold loan is repayable in legal tender on a gold basis but has no gold backing. The various forms of emergency money were for the most part based on no security at all. The gold reserve of the Reichsbank amounted to some 467 millions, but 200 million thereof was specifically earmarked as security for the dollar loan issued by the Reich in 1923.

Taken as a whole therefore the liquid backing of the currency is wholly inadequate for a permanent system.

Interchangeability.—The Rentenmark is not actually legal currency within the country nor available for any purposes of foreign trade. The old currencies with their vast denominations remain the legal currency, but prices are everywhere expressed in Rentenmarks. It is therefore obviously necessary that payments should be made indifferently either in Reichsmarks or in

Rentenmarks at a fixed relation between them. The Reichsbank accordingly accepts Rentenmarks at the rate of one Rentenmark for one billion paper marks, and Rentenmarks are also accepted in payment of taxes at the same rate.

Annex 7 to the present report shows in some detail the curious monetary situation in Germany at the end of January last.

The present tranquility.—As the Committee have remarked, the elements of currency stability were not to be found in such a situation. The temporary equilibrium of the German exchange has been ascribed to various causes by different authorities; some lay stress upon psychological factors, and in particular a renewal of confidence, the exact basis of which it would be difficult to determine, but which took account of the efforts being made by the German Government to balance its budget, and of the appointment of the Committees of Experts by the Reparation Commission; others refer to a decrease in internal consumption which with the lack of credit, accompanied by what was probably an excessive restriction in importation, reduced the demands both for the circulating medium and for foreign currencies.

Credit facilities.—The exportation of the Rentenmark is prohibited. Its existence was of no assistance in the maintenance of foreign trade. The Reichsmark was too discredited to be any longer available for the purpose of meeting foreign obligations. Credit was only obtainable abroad at dangerously high rates of interest.

At the same time, the currency depreciation and its secondary effect had produced a serious dearth of liquid capital in Germany itself. The stringency may be indicated by the fact that (according to figures furnished to us) the Savings Bank deposits had fallen from 10,700 millions at the end of 1913 to 760 million gold marks at the end of 1922; the credit accounts in the eight large Berlin banks amounted to 7,400 millions at the end of 1913, and to about one thousand millions at the end of 1922. The figures for 1923 are not yet available but can scarcely exhibit an improvement. Leaving for the moment out of account capital which in one form or another had been exported, liquid capital in monetary forms liable to depreciation had been steadily converted into fixed assets with a permanent intrinsic value. The private individual had purchased consumable commodities, while industrial enterprises had largely extended their plant and equipment. The motor was in good, perhaps in unusually good, condition, but the motive power and lubrication were apparently lacking.

Immobile credit resources.—On the other hand, there was general agreement that not inconsiderable resources were available in the shape of German balances abroad and foreign currencies in the pockets of the population in Germany itself. This latter item alone had been estimated at 1.2 milliard gold marks by the Committee appointed to consider the means of estimating the amount of German exported capital. It was reasonable to suppose that a large proportion of these resources would be available if complete confidence in the stability of German currency could be restored and maintained.

As stated in Part I, the Committee consider that this end can best be secured by the institution, under proper safeguards, of a new Bank which should absorb the existing currencies. liquidate the Rentenbank and transform the Reichsbank, and provide, against recognised banking cover, the foreign currencies necessary for the revival of Germany's languishing trade. The plan for this Bank is given in Annex I.

Psychological considerations seem imperatively to require an institution which should be so far new in its policy and its administration, as to detach it entirely from the errors of the recent past and restore the older traditions of German banking.

The interim Bank.—While coming to this conclusion and while reducing the general plan to details, the Committee had to deal with an actual change in the situation as it originally presented itself. The Committee were informed that a scheme for a gold bank was in preparation. It was expressly and admittedly limited to providing the means of carrying on foreign trade. When first submitted it contained some features which the Committee would not have recommended, and it omitted others which seemed to the Committee to be essential to any permanent settlement of the problem as a whole. Moreover, an attempt to settle particular difficulties in isolation and without reference to other essential requirements appeared to the Committee to involve certain risks.

The Committee therefore, without expressing any opinion on the plan as given to them in outline, assured themselves in consultation with the authorities responsible for Germany's monetary policy that the bank would be so organised as to facilitate its absorption into a new bank of issue which might be set up in accordance with the recommendations of the Committee.

II.—Considerations regarding the measurement of Germany's burden.

(a) Commensurate taxation.

In Part I we refer to the fact that we have taken full account of this principle. But it is necessary for us to make some further observations thereon.

The principle of the "commensurate burden," as it has been called, unimpeachable in abstract statement, is exceedingly difficult to translate into quantitative measurement as a basis for practical action. While obviously sound and just, it does not easily admit of precise and arithmetical calculation. What at first sight seems to be a simple conception, on examination is found to be complex and in some respects not reducible to exact definition.

Now the ordinary expenditure which has to be provided for in the German budget is reduced, in part by the restriction upon her military preparations, but above all by the practical extinction of her internal debt.

If Germany had sustained the burden of her own debt, as the Allies have done, and not obliterated it by inflation, she would have had to raise $4^1/_2$ to 5 milliards per annum in addition to her domestic expenditure.

This would make it both just and practicable to add a provision in her budget which should bear some correspondence to the provision made in the Allies' budgets for their war expenditure.

But the raising of any particular sum from one section of her inhabitants, to be paid back to another section within her borders, is a "burden" in a different sense from the payment of such a sum by the whole population to people abroad—different in more than the economic sense—and it is difficult to bring such a task into direct relation with the problem of reparations. It is a measure of what individual taxpayers, rather than a nation, may be capable of bearing.

In the first case the interest paid forms a part of the national income, as it is expended it provides profits and a stimulus for internal trade and so increases further the income of the country, and in particular it is itself an important source of internal taxation.

A payment in respect of a debt to foreigners has no comparable advantages to the country making it. The extinction of the German debt has after all been at the expense of her own nationals, who are her taxpayers : they have sustained as holders of German bonds, not only the burden which they have already escaped as taxpayers, but that which they would have borne in future years to meet the service of the internal debt if its value had not been destroyed by depreciation. The process of extinction has indeed (except in its incidence as between different individuals and classes) had the same results both to the Treasury and to the German taxpayer regarded collectively with a capital levy devoted to debt extinction.

The loss incurred by individual holders of debt is exactly offset by a corresponding profit accruing to the taxpayers as a whole.

It renders both practicable, and just, a greater charge for other war debts than would otherwise have been possible. A large proportion of the richest taxpayers of the country have obtained the relief without themselves sustaining the cost. They are a proper source of taxation commensurate with that weighing upon the corresponding classes in Allied countries and in particular upon the industrial classes. To them as individual taxpayers, a tax is a tax whether its ultimate destination is the payment of a war debt due to fellow citizens or to foreigners. And under the system we propose it may be regarded as a tax in internal currency without the complications which result from the question of how sums so received can be converted into foreign exchange. For this special problem we provide special safeguards. The German taxpayer should regard a payment in respect of war debt exactly as an Allied taxpayer regards a similar payment. Its ultimate destination need not concern him, and is certainly no justification for him to attempt to evade it.

The facts as to the burden actually being borne by the Allies for debt service are perhaps a better approach to the actual problem. If the German burden per head for debt were as onerous as the burden for debt existing upon the inhabitants of Belgium, France, Great Britain and Italy taken together, then

the German debt charge would approximate to 6 milliards. But in this case again, the charge is to a considerable extent in the nature of a redistribution of annual wealth among the members of each nation and has little relation to the problem of a national burden in the collective sense.

In the third place, it may be said that if the German people were burdened as heavily as the members of the most heavily taxed of the Allied countries are taxed for all purposes, *excluding debt charge,* we should have an expression of the commensurate burden principle in a limited and strictly defensible sense. But even here, theoretic and practical difficulties prevent exactness.

In the search for the "commensurate," it is not enough to compute the burden as a per capita charge, it must be related to per capita wealth or income; it is considered by many that justice requires a "minimum of subsistence" to be first deducted from such per capita income; the amount of the minimum is not exactly determinable and it seems to vary as between different countries of different climates, different economic development and different customs, *e.g.,* as between Spain and the United States; it may even vary between different periods in the same country. As a rough working assumption, such a minimum may be regarded as varying in proportion to the per capita income of different countries. Furthermore, over any period of time this burden per head in the Allied countries must change and what might be a valid comparison to-day in taxation in those countries may be quite different in ten years' time. The comparison of statistics of total taxation, national and local, in each country presents many technical difficulties. Moreover, statistics of total national income, and income per head are at present either very defective or wholly lacking. Notwithstanding these difficulties it is possible to compute roughly what total budget charge would be borne by the German people if they were subject to taxation (central and local) on the same scale per unit of income as in Great Britain, and by deducting from the result the necessary domestic expenditure to derive an arithmetical balance which could be, theoretically, at any rate, assigned to the payment of reparation.

Combining these various aspects, we have reached the view that the "commensurate burden" principle for Germany, when she is fully restored to economic prosperity, would more than justify all the practical conclusions we have set down and that they are in every way morally defensible.

There are, of course, good reasons of a political, economic and psychological character for confining the actual requirements of budget accumulation within Germany to limits well below the figure that would be arrived at from the consideration of this principle by itself. Different individuals will differ in the degree of importance they assign to such reasons. It is perhaps unnecessary to state these aspects in detail and sufficient to register our united conviction that all our recommendations and suggestions are well within what can be morally justified on the principle of "commensurate burden," whatever limitations may

be placed upon that principle. In this sense, therefore, the justice and moderation of our proposals ought to be fully recognised by the German people themselves.

In the above discussion, we have disregarded the question of railway profits. Inasmuch as budget revenue is not derived from profits on railways elsewhere, no question arises as to whether railway profits are a burden (in the sense of a tax). Such profits in other countries form a part of the ordinary profits of private concerns accruing to individuals and it may be said therefore that in Germany the position of the taxpayer is the same whether such profits go to individuals or to the Allies as reparation.

On the other hand, the German railway profits might go in relief of taxation burdens, if they were not applied to reparations. Moreover it is difficult to say that the abstraction of the profits of so important an undertaking as the railways of a country from that country, instead of leaving them there to be enjoyed individually or collectively by the inhabitants, is not a "burden" in the international sense, even if it is not a part of the individual "*commensurate burden of taxation.*"

(b) Export statistics as an index of prosperity.

In Part I we have suggested an index of prosperity and indicated that in our opinion it was a fairer test than the existing index, namely, export statistics. The use of the latter in isolation has certain definite defects, to some of which we desire to draw attention:—

(1) Foreign trade only covers part of the area of total trade, and if foreign trade at a given moment only covers a small part of the area, total trade may be moving in a direction opposed to that of foreign trade.

(2) Artificial conditions, such as alterations in transport charges, may affect the trade figure in the absence of any real change in the value or volume of exports.

(3) The export statistics, more especially when no export duty is in force, may be subject to changes in presentation, and frequently furnish material for controversy.

(4) Reparation payments themselves are and can only be financed by an excess of exports. It follows that an increased reparation payment in one year furnishes an increased base for the following year. This process is cumulative, and the basis for the index is continuously raised, so to speak, at compound interest, even though actual prosperity may be stationary.

(5) In a country with an economic life such as that of Germany, invisible exports may increase more rapidly than physical exports, and there may be a growing prosperity which is not reflected in export statistics.

(c) Measurement by yield of particular taxes.

We have laid some stress in Part I on the fact that certain revenues were chosen strictly as guarantees and that fluctuations in their yield were not to be regarded (save in 1926-27 and 1927-28

exceptionally) as determining the payments due by Germany. The following are the broad principles justifying this standpoint:—

(1) It is desirable that the German Government and the German people should be themselves interested in increasing the yield of the controlled revenues, and should be under no temptation to discriminate against these taxes in favour of others.

(2) The year's liability which, under our plan, will include an allowance for increased prosperity, will already have been established by one test, in which, moreover, the yield of the controlled revenues indirectly forms one element. Having applied one test, it would be unfair to apply a second, and to choose whichever gives the higher result.

(3) The year's liability ought not to vary with the fortuitous yield of particular taxes. The character and level of these taxes should be chosen with a view to their suitability as security and not with a view to their appropriateness for fixing obligations.

Unless the liability of the year is definitely fixed and unless the German Government can proceed to estimate its resources by reference to the whole and not part of the taxable field, the difficulties of forming a satisfactory budget are aggravated, and German credit is affected.

(4) Common sense requires that the reparation liability ought not to rest even indirectly upon the rate of particular taxes, or otherwise every change in rates or methods of collection, even when thoroughly justified by social or political reasons, must be scrutinised with such a degree of care and perhaps suspicion that it becomes a fruitful source of friction and dispute.

III.—The German budget for 1924-25 and the fiscal system.

The 1924-25 *budget.*—The German Government prepared and submitted to us the outline of a provisional budget for 1924-25 which estimates a small excess of receipts over the ordinary administrative charges of the country. (Annex 8.)

While the Committee have spent a great deal of time upon the details of this budget, and have put many questions in writing to the Government and in oral cross-examination of the officials upon its chief features, the subject is so vast in its ultimate implications, especially having regard to the constitution of the Reich, that no finality could possibly be reached, especially in a matter which to the Germans themselves is full of difficulty and doubt. Nevertheless we believe that the ground has been explored to a sufficient extent to justify us in feeling that even a prolonged examination could not substantially alter our conclusions. To some of the more salient points we shall make particular reference.

The conditions under which the budget estimates were made.—It should, however, be first remarked that in general the budget must necessarily be in the nature of an experiment and the individual items in it somewhat arbitrary estimates. At the time of our investigation Germany was passing through an acute economic

crisis, the direct result and the culminating point of a depreciation of the currency so catastrophic as practically to destroy the currency and reduce the budget to all but a shadow. The habit of saving has been destroyed, and it will require time and the restoration of confidence to re-establish it. The existing wealth is maldistributed in an almost unparalleled degree. The cessation of depreciation, with the consequent removal of the premium on export and the stabilisation of prices at a level which is momentarily at any rate above that of the world level, has had important reactions. Finally the state of employment and the fiscal and economic machinery of Germany have been violently deranged by the events of 1923; a return to normal conditions in this respect cannot be effected overnight.

Assumption underlying the budget.—It should be most carefully noted that the budget is not made up to represent the financial expectations of actual existing conditions. As we have remarked above, the general budget as presented anticipates a credit balance, and the German Finance Minister appeared to be reasonably confident of his ability to live up to these estimates, provided three essential conditions were fulfilled:

(1) that the Bank of Issue which would serve as a basis for the grant of credits would be established;

(2) that the full development of German economic life should not be restricted by the severance of the Ruhr and the Rhineland;

(3) that Germany enjoyed complete freedom in her economic relations with other countries.

The first and second of these conditions will be fulfilled if our recommendations are accepted, and they appear to us to be essential to budget equilibrium. As regards the third, we understand that Germany's commercial freedom is restored under the terms of the Treaty in less than 12 months' time.

We are not, however, satisfied that the budget as framed is not exposed to a real risk of deficit. The German fiscal year begins on the 1st of April and even if our recommendations are accepted a certain lapse of time will be necessary before an absolutely normal administrative situation can be re-established.

For this, if for no other reason, we conclude that on the existing basis of taxation the estimated revenue may not be realised, even allowing for certain possible under-estimates under particular headings.

On the expenditure side, the only item on which a saving may emerge of any great significance relatively to the possible deficit is the provision of relief for unemployed. The sum allocated to this purpose (500 million gold marks) is estimated on the assumption that the existing amount of unemployment will continue throughout the year. It appears to us that this is unduly pessimistic and any reduction in the number will both relieve the expenditure and the revenue side of the budget, inasmuch as the wages earned by a labourer are subject to direct, and through the medium of his expenditure, to indirect, taxation.

Taking one item with another, however, we cannot justifiably state that the results are likely to be any better than have been indicated in their estimate. But if, for this year 1924, there was a deficit (we have just seen that this possibility cannot be absolutely disregarded) we can assert that it would not be of an extent to endanger the stability of the currency, or force the German Government to have recourse to other than the conventionally authorised expedients for meeting it, such as increases of existing taxation, further emergency taxes, or small internal loans.

Moreover, so many of the settlements due in the year 1924 will fall to be made in the year 1925-1926, that fiscally these two years tend to be merged into one period and, as will be seen later, we have no doubt that in that period ordinary budget receipts will fully equal ordinary budget expenditure.

Special features in the fiscal system. The income tax.—We do not propose to comment in any detail on the existing taxes, but there are certain broad features which call for notice.

We have been unable to escape the conclusion that the wealthier classes of Germany have, in recent years, not been reached properly by the system of taxation in force, either to an extent which the taxation of the working classes would justify, or to an extent comparable with the burden upon the wealthier classes in other countries.

It is, of course, common knowledge that, with a continually depreciating currency, many classes of business men tend to obtain as profit a larger share than is normal of the total produce of industry. Many of their expenses are in the nature of fixed charges ; moreover, generally speaking, paper mark wages have not advanced as rapidly as paper mark prices have increased, so that the share of the business proprietor in the total produce of industry, altogether apart from the special profits made by him on redeeming debentures or mortgages at nominal figures, has tended to be greater than is normal.

Direct taxes, such as income tax, are necessarily assessed for completed periods and during a time of rapidly rising prices the burden of any particular year, based on the profits of previous years, is small relatively to the profits of the year itself. Moreover, the process of return, assessment and appeal for such a tax, necessarily occupies further time, and by the date when substantive liability is fixed in paper marks its real burden is far less than was originally intended. Further delay in payment of that liability intensifies this effect. It was not until the inflation movement was well advanced in Germany that any serious effort was made to combat this evil. Although the rates of income tax according to the nominal scales rose to nearly 60 per cent. on the highest incomes, statistics of cases furnished to us by the German Government show that in effect, even in the year 1920, the burden of actual tax (measured in gold) on the higher incomes, instead of being 50 to 60 per cent., was only half those rates upon the income of the year (measured in gold). This was undoubtedly one of the primary causes for the budgetary difficulties of Germany, and the disparity was very much greater in the later

periods. It can be said with confidence that the wealthier classes have escaped with far less than their proper share of the national burden, and we have put it as a matter for the serious consideration of the German Government whether they should not, facing even the admitted administrative difficulties, review the assessments of recent years in the case of these particular classes of taxpayer and re-assess their liability upon a gold basis.

The whole system of direct taxation went to pieces in 1923 and, for 1924, the income tax, as is easily understood, is in abeyance. The profits of industry in 1923 expressed in nominal figures of paper marks have no meaning unless they can be resolved into the profits of the particular dates on which they were made and then reduced to a common denominator of gold values. A profit of 1,000 marks made in January, 1923, is obviously quite a different amount from 1,000 marks made in September. We can well believe the German Government finds it impossible to use the year 1923 as a basis for income tax assessment in 1924.

They have been driven to temporary expedients of a very makeshift character, not rising to a higher normal burden than 25 per cent., with the intention of re-scheming and reassessing the income tax proper in 1925.

These expedients do not re-assure us upon the general question as to the taxation of the wealthy classes, and, in our judgment, if they desire the Allies and their own working classes to realise their good faith in this matter, the German Government should publish at an early date their definite intentions with regard to the scales of income taxation that are to be applied during 1925-26 to the actual profits of 1924-25 for the final adjustment of the fiscal year 1924-25.

The 1924-25 budget estimates 1,344 million gold marks as the income tax yield, of which all but 480 million gold marks is estimated to be assessed on wages.

We have drawn the German Government's attention to the absence in the temporary measures of any proper provision at present for dealing with income from abroad. They were asked to furnish us with details of the comparative position of different incomes drawn from dividends in the years 1920-21, 1923-24 and 1924-25. The reply is given in Annex 9 as indicating the present position of direct taxation in Germany.

Special taxation on those who have specially profited by depreciation of currency.—Currency depreciation, on the scale it has occurred in Germany, has brought into existence a new and special type of "windfall" wealth which is a suitable subject for taxation in an emergency.

The ultimate profit or loss to industry and agriculture as a whole of the depreciation era may be difficult to calculate. There are many cases, however, of industrial and other undertakings which were not only able to make large profits but succeeded in paying off prior charges at a trifling fraction of their value when incurred.

If a mortgage or debenture of 10,000 marks has been paid off for practically nothing, a " windfall " profit to the debtor (at the

expense of the impoverished creditor) has been made to that extent. If it has not yet been paid off, but the debt can in due course be discharged by worthless paper marks, the "windfall" is a potential one. In this last case, it has been decided by the German Government to "valorise" the debt at 15 per cent., and the windfall to the creditor is to be restricted to 85 per cent. On this remarkable improvement in his position, the Government proposes to levy a tax of 2 per cent., or 1.7 on the whole debt. In the case where the debt has been paid off, the Government will take the actual difference between the gold price paid and 16.7 per cent. In our view, such special taxation, if justified in principle at all, as we believe it to be, is justified at much higher rates. But certain rights of taxation are being given to the Federal States which encroach upon this area of taxation, and, for the rest, our proposals (Section IX. C. of Part I) in regard to industrial debentures cover what might otherwise have been independent recommendations under the head of taxation.

Similar extraordinary profits have been made through State subventions, and through the repayment in depreciated currency of bank loans, State advances, and other similar obligations.

The Reich and the States.—The third special feature to which we would refer is the financial relation between the Reich and the States and Communes.

The more complete financial centralisation that took place after the war in accordance with the Weimar Constitution has not fundamentally changed the character of the relations between the Reich and the States. Although the Reich is charged with the administration of taxes formerly undertaken by the States, it is under obligation to cede the major part of the proceeds of the income tax, for example, to them. The States discharge wholly or in part many of the functions of Government, and there is no clear principle connecting their resources with their obligations. When in difficulties, they press the Reich for larger subventions (as percentage of the yield of taxation) just as in turn the needy Communes press the States for greater financial aid.

The situation has hitherto been governed by merely political or administrative opportunism rather than by clear financial principle. The Reich can either yield to the pressure for higher percentages in subvention or they can confer upon the States the right to exploit particular fields of taxation for themselves. The check by the States upon the Communes is equally unsatisfactory. It is almost impossible to ascertain the true cost of any of the single functions of Government in view of its division between these three constitutional entities, and in the absence of proper aggregated financial statistics of the States and still more of the Communes.

The changes that have taken place completely falsify any comparison which could be established between the pre-war Reich budget and that for 1924-1925.

Moreover, these relations are once more under review. During the period of rapid depreciation, the resources of the States and Communes, together with the regular allocations from the revenues

of the Reich, were inadequate to their needs. Their financial situation was similar to that of the Reich itself.

The expedient adopted by the Reich of multiplying the issue of notes was not open to the States and Communes, who had necessarily to be supplied with continuously increased subsidies from the Reich, and this proceeding was one of the principal causes of the utter breakdown of the German finances.

The resultant chaos has been such that no up-to-date statistics are available, and the States have not yet framed their budgets on a gold basis. It is in our opinion essential that at the earliest possible moment the preparation of complete statistics of the receipts and expenditure of the States and Communes should be resumed.

The importance of the question may be seen if it is realised that the Reich budget, after allowing for the subsidies, contains little more than one-third of the total expenditure, one-third being met by the States and one-third by the Communes. It would be quite possible for the Communal budgets to be enjoying considerable prosperity at the same time that the Reich budget is in serious difficulties.

We do not pretend to be in a position to make detailed recommendations; the subject is a complicated one and involves the consideration of social and political factors, many of which have deep roots in historic traditions.

Moreover, if our recommendations are accepted in their entirety, self-interest alone may almost confidently be relied upon to force the German Government to make provident arrangements with the States, and it has already given us an assurance that the *régime* of increased subsidies has come to an end and will not be revived.

It is clear, however, that in the near future the German Government must take steps to put the relations between the Reich and its component parts on a regular basis which shall ensure that the latter are not a constant drain upon Federal resources; the existing hole in the budget must be plugged.

It does not suffice, in our judgment, for the Reich to remain in supine contentment with the present situation merely because it has been the result of constitutional evolution. Germany waged war as an undivided whole and the financial responsibility of the Reich to the Allies cannot be qualified or weakened by an attitude of passive acquiescence in the undiminished rights of subordinate areas. So long as Germany has any external obligations they must be paramount, and the resources normally to be assigned to the States and Communes must be clearly defined, and care must be taken to secure that these resources are not more than adequate to legitimate needs.

Where further assistance must be given by the Federal Treasury the amount of such assistance should again be strictly proportioned to the necessities of each case, and subordinated to continually increasing central supervision by the Federal Treasury of local expenditure.

In considering the budget as drafted in 1924-25, we have felt compelled to assume that the assignment to the States amounting

to 1,800,000,000 gold marks is an irreducible figure, and that if the States themselves have budgeted for the receipt of this sum the Reich will be unable to escape the liability in one form or another. This is the most probable assumption which we can make in a matter which bristles with political difficulties, and it is supported by the estimates submitted to us of the Revenue and Expenditure in 1924-25 of Prussia, Saxony and Bavaria; in each case deficits are disclosed.

Further comments upon particular taxes.—1. The Committee recognise that the taxation of each large nation to-day is the product of many factors, including its historical evolution, its economic conditions, its political ideas, its constitutional framework, and its social psychology. What is a good system for one country may be quite unacceptable for another. Even though the same elements may exist in two systems, the importance played by those several elements in the whole may be quite different. If a similar total burden is being raised in two countries, it is almost certain that the manner in which it is being spread over the community and the particular devices adopted to raise it will be very different.

2. For these and other similar reasons we do not regard it as particularly profitable to pass the German budget in detailed review merely to suggest that each particular tax can be raised to a rate or level found in some Allied country for that tax, and thus to impose upon Germany the maximum burden borne under each head in any of the creditor countries. To do this would be to lose sight of the principle we have referred to above, and also to ignore the question of the total burden. For example, to state that Germany could stand increases in the rates on tobacco, beer, spirits, etc., to the level of those in England, while ignoring the existence of her high turnover tax, which England does not impose; or to state that Germany could bear increased rates of death duties, while wholly ignoring the existence of her capital taxes, would be to destroy the balance of her system and be oblivious to the total burden thus accumulated. The Committee would desire to avoid being dogmatic as to the way in which a given sum shall be raised by the German Government. Having come to the conclusion that a given burden can be borne, it is for Germany to suit her own conditions in prescribing the ways in which it shall be obtained. At the same time, diverse as the systems in the Allied countries themselves are, the Committee offer the following suggestions as the subject of their common agreement and as suited, in their judgment, to German conditions.

1. *Tobacco.*

Eminent technical experts have made the following suggestions, which we commend to the notice of the German Government.[1]

[1] These suggestions are contained in a report drawn up by M. Mayer and M. Aliprandi, which will be put at the disposal of the Reparation Commission, together with a report on indirect taxes drawn up by M. Hulin and M. Mazzucchelli.

While they believe that the institution of a tobacco monopoly would entail heavy immediate expenditure, thus causing economic disorder, the technical experts recommend that the free manufacture and sale of tobacco should only be allowed to continue if subject to the regulations of the following scheme :—

(1) No factory, nor wholesale or retail tobacco shop may in future be established, nor may any existing establishment be enlarged without the permission of the State.

(2) The introduction of tobacco substitutes in manufacture is prohibited.

(3) The number of existing factories must be reduced by abolishing, with a fair indemnity, those which are really not industrial in character, while all factories which have been proved by experience to be incapable of producing goods at a fair cost price must be expropriated.

(4) Products manufactured in the various factories shall still be sold with their trade mark, while the sale price to the consumer shall be indicated on each package ; each box or packet to be sealed with a band representing the State guarantees.

(5) Existing manufacturers shall form a consortium according to the category of goods produced. This consortium, while collectively undertaking to supply the State with the qualities required for consumption, shall have to deliver its products at its own expense and exclusively to the State warehouses indicated.

(6) The products manufactured shall be bought by the State at a price to be fixed at regular intervals.

(7) Prices shall be fixed in conformity with the results obtained in one or two State factories, to be run for experimental purposes and for the control of prices.

(8) Importers of foreign manufactured products shall be free to continue their business on the sole condition that they sell the imported products to the State warehouses, under the same conditions of delivery as home manufacturers who deliver the goods produced in their factories.

In regard to sale organisation, the technical experts make the following recommendations :

(1) The State shall use the wholesale dealers' warehouses for its own purposes.

(2) Retail sales must be carried out exclusively by licensed retail dealers.

(3) The retail dealers must only sell State products bearing the proper guarantee band, at the price fixed on the package.

(4) The remuneration of retail dealers shall be fixed at regular intervals by a certain rate of commission on the sale price to the customer, such rate not to exceed an average of 12 per cent. Bonuses within this limit of 12 per cent. would encourage the most energetic retail dealers and thus develop the turnover.

(5) Payment for manufactured products delivered to retail dealers shall be made to the warehouse supplying them by means of cheque or postal order (not in cash and without credit) minus the commission above stated.

(6) A small number of State retail shops shall be instituted, in order to obtain reliable estimates and to control the expenses of sale.

On the basis of this plan, the technical experts make the following estimate of the profit to be obtained by the State :—

	Swiss Francs.
Cost of manufacture	476,160,000
Manufacturer's profit and additional general expenses (35 per cent. of the cost of manufacture)	166,656,000
Expenses for the warehouse service and general expenses of the sale organisation (1 per cent. of the gross receipts)	20,906,400
Cost of delivery to retailers (12 per cent. of the gross receipts)	230,876,800
Additional expenses for transport (80,000 tons × average distance of 25 km. × 0.25 fr.)	500,000
Annuity payment in the event of the indemnification of one fourth of the present manufacturers	16,975,000
Total expenses	912,074,200
Gross receipts (according to tables V and VI)	2,090,640,000
Net profit for the State	1,178,565,800

That is 856,515,000 gold marks.

Percentage of net profit, 56.4 per cent.

The technical experts have the following observations to make on the above table :—

(1) An annuity payment is provided for, which would correspond to the amounts to be allowed for the indemnification of the small factories to be closed down.

(2) The cost prices of a free industry distributed amongst a large number of factories are higher than those of a monopoly. Consequently, the costs of manufacture under a monopoly system are increased by 35 per cent. in order to allow the manufacturer a reasonable profit.

(3) With this organisation, which leaves the factories and retail establishments in their present form, the taxes now collected by the German Government would no longer have to be deducted, with the sole exception of the tax on wholesale dealers to the amount of 6 millions.

Under a system of sale, organised in conformity with this scheme, the technical experts put forward the results of such a plan as under:

	Gold Marks
Gross receipts (amount expended by consumers)	1,523,960,000
Profit obtained by the State from which must be deducted the taxes at present collected by the Reich	856,515,000
Customs, tax on turnover	6,000,000
Net profit obtained by the State	850,515,000

The technical experts consider that it would be preferable to entrust the sale organisation to an entirely autonomous organisation, the constitution of which might well be based on the example of the Swedish monopoly. On the other hand, it is their opinion that the present fiscal organisation of the German Reich should be used for the supervision of the tax.

In conclusion, the technical experts believe that during the first period, which would not exceed 2 years, the estimate of the guaranteed net profit might be based on the assumption that each inhabitant spends only 26 Swiss francs per annum, which is the figure now obtaining in Austria. Such a figure would yield a net profit of 657 millions of gold marks, on the following estimate:

	Swiss Francs
Gross receipts 26 × 62 millions	1,612,000,000
Total expenditure[1]	707,917,000
Net profit	904,082,000

or 657,000,000 gold marks.

To recapitulate, the guaranteed revenues for the payment of reparation which Germany might obtain by the tobacco tax would be as follows:

	Million Gold Marks (German Estimate)
1924-25	498
1925-26	657
1926-27	657
1927-28	856

A considerably larger sum can be realised from the German duties, while decreasing the burden falling on the German consumer. The less efficient factories will be eliminated and substitutes will be abolished; surplus profits of the intermediaries will be reduced, leaving them nevertheless a reasonable margin. Without introducing the monopoly reform, standard factories will be instituted (one or two factories to control costs and few selling shops) and the sales will be strictly disciplined.

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[1] Expenditure shown in the table on the previous page reduced by $\frac{26}{33.72}$ with the exception of the expropriation annuity.

The proceeds would be paid in periodically by the "Service of Assigned Revenues," either :

(*a*) in the case of the adoption of the "assiette" suggested by the technical experts, on the basis of 60 per cent. of the gross revenue ; (as the technical experts themselves have calculated that 40 per cent. represents purchase price of manufactured tobacco, plus cost of distribution, etc., the remaining 60 per cent. represents an absolutely net profit from the duty) or,

(*b*) otherwise, on the basis of a sum in gold marks for every kilogramme of tobacco taxed, according to the various chief qualities of the tobacco ; this sum to be fixed by the technical experts.

2. *Indirect taxes generally.*

The rates appear to the Committee to be unduly low, and, as prosperity grows, to be susceptible of increase without diminishing consumption.

3. *Turnover tax.*

It is our general opinion that this tax should at the earliest possible moment be somewhat reduced in favour of other forms of taxation.

4. *Taxes on motor transport.*

It is considered that the present total burden is too low and that a substantial further sum might be raised without detriment either by a tax on petrol or a supplementary duty on motor cars, or by a combination of these means.

5. *Death duties.*

The yield from these duties is extraordinarily low judged by almost any standard. It is not satisfactorily accounted for by the temporary depreciation in capital values which is due to lack of profits and trade output. Not only is the total yield low judged by any test as to capital values, but the actual rates of duty being imposed are also, in the Committee's judgment, inadequate. While not unmindful of the effect of the relation between these duties and the capital tax in general, the Committee thinks that the position disclosed in the following table, compiled by the German Government, indicates that there is considerable room for increased taxation under this head. It will be observed that where the rate in Germany is nominally higher than that in other countries, it is in those scales where the tax may be least influential in its effect upon total yield.

Annual taxation on capital, in the Committee's judgment, tends to become a part of the income tax system and to discriminate between income derived from work and that derived from investment. In this case, therefore, taxation of capital by annual payments is in a different category from ordinary succession duties.

Fiscal burden constituted by the death duties in Germany, Belgium, Great Britain and France.

(Burden expressed in percentage.)

Property left[1]	Germany	Belgium	Gt. Britain	France
In gold marks	Wife and three children			
20,000	1.5	2.1	3.0	3.5
200,000	2.9	2.7	5.0	6.1
2,000,000	5.9	3.8	15.9	11.5
6,000,000	7.5	4.8	22.8	14.4
	Brother			
20,000	7.8	8.3	3.0	23.3
200,000	17.4	11.4	5.0	36.0
2,000,000	30.0	17.0	19.2	50.1
6,000,000	30.0	22.2	25.9	56.2
	Person next of kin			
20,000	18.2	16.7	3.0	36.8
200,000	40.6	22.8	5.0	48.3
2,000,000	70.0	34.8	23.5	61.0
6,000,000	70.0	44.5	29.8	66.5

[1] The foreign currency has been converted into gold marks on the basis of the average rates of exchange quoted for the currency at issue on the Berlin Stock Exchange in the month of January, 1924. According to these quotations 1,000 gold marks were equivalent to:
55·5 pounds sterling in round numbers, or
5,000 French francs in round numbers, or
5,550 Belgian francs in round numbers.

IV.—Proposal for control of revenues assigned as security.

It is necessary to elaborate in rather fuller detail the recommendations which we have made in Part I of this report for the assignment of the taxes, etc., on tobacco, alcohol, sugar, beer and of the customs revenue as security for payment of the sums charged annually on the German budget.

As regards the years 1926-27, 1927-28, as already indicated, the assigned revenues will play a special part in our plan. They will not only serve as a guarantee to creditors, but also as a means of measuring the contingent addition to, or deduction from, the total amount of reparation payments laid down in the plan. If the yield of these revenues falls short of one milliard in 1926-27 or 1¼ milliards in 1927-28, the reparation payments will be diminished by an amount equal to one third of such deficiency; on the other hand, if they exceed those limits, there will be an additional payment equal to one third of the excess; both deduction and addition however are limited to an amount of 250 million in each year.

In 1928-29, and subsequent years, the amount of Germany's obligation is fixed by the standard payment, plus supplementary payment (and into the computation of the latter, the increased consumption of these taxed articles will enter).

The total yield of the controlled revenues will be paid into the account of the Agent for Reparation Payments as from the time when the plan is put into execution.

In the first year in which there is a charge on the budget and in all subsequent years, the amounts required to meet the charge will be retained and the balance will be periodically released to the German Government.

We propose that there should be one Commissioner to supervise the controlled revenues and under him a Sub-Commissioner for each of the five controlled revenues.

In order that the Reparation Commission may be in a position to secure an officer of the greatest experience and efficiency as chief Commissioner, the area of selection should be as wide as possible and not confined to the Allied countries.

He should have the assistance of a consultative and advisory committee on which each of the interested Allied countries would be represented.

The various German services of the assigned revenues would be obliged to deposit, through the receiving offices, immediately on receipt, the amount received under the head of the revenues in question at the nearest branch of the central Bank acting as treasurer.

A. *Funds.*—The separate branches should pay the sums into the central Bank to an account at the disposal of the Commissioner, who should afterwards provide for the periodical "reversements" to the German Government of sums in excess of the proportion of the year's Peace Treaty payments accrued to date.

B. *Audit.*—The Commissioner would impose such methods of independent audit as he might desire to ascertain that all assigned revenues :

(1) were properly obtained from the public, and

(2) flowed through the control administration.

C. *Detailed responsibility for management.*—He would not be obliged to assume responsibility for detailed administration except in the case and in the manner indicated below. It would be his duty to see at all times that the administration was reasonably efficient and the accounting system honest and accurate. But since the interests of the Allies are not affected so long as the revenues are sufficient, with an adequate margin, to meet the annual charges, it would not be his duty in such circumstances to interfere with the details of control.

He would therefore not normally be obliged to insist on the exact tariffs or the exact form of administration which would, in his view, secure the utmost yield, and he would not therefore be obliged (unless the need arose) to assume the responsibility of detailed direction with the administrative expense of staff, etc., which that would involve, nor would he be required to have such an elaborate and expensive accounting and calculating personnel as would enable him to certify that every mark was accurately accounted for (which is obviously a very different thing from seeing that the system is honest and efficient).

If the need arose his control would become automatically more active, more responsible, more difficult and, of necessity, more expensive. For if the revenues were in danger of being insufficient, it would be his duty to take every possible measure to increase their productivity. This increase in the active character of the control would be in exact proportion to the need for it. He would thus reform and direct administration in detail only if and so far as necessary.

D. *The technical control* would consist, in the ordinary course, of the right:

(*a*) to obtain all information and examine all books;

(*b*) to visit and inspect the factories subject to duties, and to ascertain that approved standards are maintained;

(*c*) to send experts to report and advise and, in case of actual necessity arising, to exercise detailed control;

(*d*) to propose higher technical standards;

(*e*) to require prior advice of all administrative regulations.

In settling the constitution of the control body, it should be borne in mind that it may be concerned with the issue of bonds guaranteed by the said assigned revenues, if it is desired to create an international bond other than the railway one.

The German Government should be asked not to reduce the rate of the assigned revenues without the consent of the Commissioner, which would not be given until the consultative committee had had an opportunity of considering the proposal and approved it by a majority; on the other hand, it is considered necessary that the German Government should be encouraged, regard being had to the rates prevailing in other countries, to effect increases in the taxation of alcohol, beer and sugar.

The above system makes it unnecessary in relation to the problem of security, to insist on an increase in any particular tax, though we suggest to the German Government that it is to their interest, especially having regard to the rates prevailing in other countries, to effect increases in the taxation of alcohol, beer and sugar. But all interference in the German Government's tariff policy is to be avoided.

To sum up this subject we would lay down the following general principles:—

(1) The main lines on which the control should work ought to be decided by the countries interested. These main lines establishing the principle of a control developing automatically as required, and becoming complete control as soon as the revenues appeared to be insufficient, should therefore be laid down in protocols signed by all the countries whose interests are mainly involved.

(2) These main lines should be elaborated into detailed instructions by international experts (in practice of the nationalities of the countries interested).

(3) With this safeguard, the execution of the control is entrusted to a single impartial person (with the necessary

staff) so as to secure the rapid and consistent administrative decisions required for an efficient control.

(4) His responsibility to the Reparation Commission should not be of a day to day order, but a periodical report should be made by him upon the condition and yield of the gage revenues.

(5) In the event of the revenues for a given year proving insufficient, the whole system outlined in this scheme (working of the railways, a mortgage on industrial property, the control of the revenues assigned as security) will be prolonged as required for the purpose of making good the deficit.

The Committee desires to express its high appreciation of the valuable and efficient co-operation received throughout its task from the General Secretary, Mr. Andrew McFadyean, and to thank his assistant, Monsieur Denis, the interpreters, and all the staff for their ungrudging services.

Paris, April 9th, 1924.

CHARLES G. DAWES, *Chairman.*
OWEN D. YOUNG.
ROBERT M. KINDERSLEY.
J. C. STAMP.
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EDGARD ALLIX.
ALBERTO PIRELLI.
FEDERICO FLORA.
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Annex 1.

Plan for the Organisation of a Bank of Issue in Germany.

I.—Name and location.

The Bank, hereinafter designated as the "New Bank," shall bear a new and suitable title, unless, in conformity with paragraph (*b*) Section III below, the Organisation Committee shall decide to use the Reichsbank for putting the present plan into operation. It shall be a private corporation, and its charter shall be for fifty (50) years. The New Bank shall have its principal office in Berlin and such branches and agencies as its Managing Board shall determine.

II.—Capital.

(*a*) The Bank shall have a cash paid-up capital of four hundred million (400,000,000) gold marks, which shall be registered or bearer shares of one hundred (100) marks each. These shares shall be issued as follows :

(1) 1,000,000 shares to represent the assets of the Reichsbank;

(2) 3,000,000 shares for subscription in Germany and abrcad.

(*b*) All shares shall be alike, and after the initial subscriptions have been accepted, no restriction shall be imposed upon their purchase and sale, other than such general restrictions of German law as shall apply to the purchase and sale of shares of other banks.

(*c*) Shares whether sold in Germany or abroad shall be paid for entirely in gold, and/or foreign bills, at their current gold values.

(*d*) Subject to the preceding provision of this Section, the shares of the New Bank shall be allotted and sold on such terms as to prices, times of payment and other conditions, as are most advantageous to the Bank.

III.—Organisation Committee.

(*a*) For the purpose of taking the preliminary steps for the Bank's corporate organisation, there shall be created a temporary committee, to be known as "The Organisation Committee." This Committee shall consist of two (2) members, the President of the Reichsbank, and one (1) person who shall have been a member of one of the Committees of Experts acquainted with the discussions which resulted in the drafting of the plan for the Bank.

(*b*) The Organisation Committee shall have power generally to interpret any ambiguities appearing in the plan, provided always such interpretation shall not interfere with the principles involved. It shall also have power, if it deems wise, to carry out this plan by the transformation of the Reichsbank, under suitable legislation, rather than by the organisation of a new corporation. It shall frame the statutes regulating the administration of the Bank. These statutes shall in particular include provisions concerning :

(1) the form and character of the share certificates of the Bank;
(2) the formalities to be fulfilled for the transfer and pledging of the registered share certificates;
(3) the cancellation of share certificates lost or destroyed;
(4) the method by which the German shareholders shall elect the German members of the General Board;
(5) the nature of the reports published by the Bank, as well as the method and place of their publication;
(6) the nature and duties of the permanent Committees of the Managing Board and the officials of the Bank;
(7) the administrative Departments to be created within the Bank;
(8) the date and place of the regular meetings of the Managing Board and of the General Board;
(9) the special meetings of the Managing Board and of the General Board.

IV.—Administration and management.

The Bank shall be administered by a Managing Board, under the chairmanship of a President, all of whom shall be of German nationality.

V.—The President of the Bank.

(*a*) For the purpose of this memorandum only, the Chairman of the Managing Board and of the General Board is hereinafter called "the President"; he shall be the managing director of the Bank. Subject to the limitations imposed by law, he shall perform such duties as are assigned to him by the Bank's statutes.

(*b*) The President may be elected from among the members of the General Board, or chosen from outside the Board. The election by the Board of a non-member, as President, shall operate to vacate automatically the seat of that German member of the General Board having a term of two (2) years or more yet to run, whose election was obtained by the smallest share vote, unless some other member of the General Board, having a two (2) years' term or more yet to run, shall resign at the time, and his resignation be accepted by the Board. A President, elected from outside the General Board shall, by the fact of his election, become a member of the Board.

(*c*) The first President shall be the President of the Reichsbank; his term of office shall be six months. Subsequently, the President, who must be of German nationality, shall be appointed by a majority vote of not less than nine (9) members of the General Board, of which majority at least six (6) votes shall be the votes of German members; this appointment shall be countersigned by the President of the Reich.

(*d*) The President shall direct the Managing Board and shall take the chair at its meetings. In case of a tie vote, he shall have the casting vote. He shall appoint the officials of the Bank on the recommendation of the Managing Board. He shall organise the distribution of their work and duties in the Bank, and shall exercise disciplinary powers over the officials and employees, these powers being provided for in a special clause of the Statutes to be approved by the General Board.

VI.—Managing Board.

(*a*) The administration of the Bank shall be entrusted to a Managing Board which shall be the administrative and executive body. This Board shall be under the chairmanship of the President. It shall adopt its decisions by majority vote and in conformity with the regulations laid down in the Statutes and by law. In particular it shall direct the currency, discount, and credit policy of the Bank. It shall fix the rates of interest and shall draft all regulations concerning the policy of the Bank.

(*b*) The members of the Managing Board shall be appointed by the President for a period to be fixed by the Organisation Committee, subject to the approval of the General Board, whose decision in this connection shall be adopted by a majority of nine (9) votes, at least six (6) of which shall be given by the German members; these appointments shall be countersigned by the President of the Reich.

(*c*) The members of the Managing Board shall occupy no other remunerated post, neither shall they accept any honorary post without the previous consent of the General Board.

(*d*) The salaries and pensions of the members of the Managing Board and of the President shall be fixed by the General Board, the salaries and pensions of the senior staff of the Bank shall be fixed by the Managing Board with the approval of the President, and in case of the junior staff, by the Managing Board alone.

(*e*) The Managing Board may, if they think fit, obtain the assistance of a consultative body composed of German members chosen from agriculture, commerce and industry.

VII.—General Board.

(*a*) There shall be created a General Board, consisting of fourteen (14) members hereinafter called "the Members of the General Board." One-half ($^1/_2$) of these members shall be of foreign and the other half ($^1/_2$) of German nationality.

(*b*) Each member of the General Board shall be chosen for a period of three (3) years, except in the case of the first election or appointment. In the case of the first term of office, three (3) German members and three (3) foreign members shall serve for a term of one (1) year; two (2) German members and two (2) foreign members shall serve for a term of two (2) years, and two (2) German members and two (2) foreign members shall serve for a term of three (3) years. At the first meeting of the General Board chosen, the members shall decide, by lot, the term for which each shall serve, namely, one, two, or three years.

(*c*) Subject to the provisions of paragraph (*b*) of this section, and to the provisions of this plan that apply to all members of the General Board, members of German nationality shall be chosen in such a manner and under such conditions as the stockholders of German nationality shall decide, in accordance with German law. The manner and conditions so decided upon shall be incorporated in the statutes. The manner of selecting the first group of German members shall be determined by the Organisation Committee as provided for in Section III of this plan. No plan shall be adopted for the first selection of German members that does not meet with the approval of the President of the Reichsbank.

(*d*) The foreign members of the first General Board shall be appointed by the Organisation Committee. They shall be chosen with due regard to their professional qualifications and financial experience. In making the appointments, the Organisation Committee may consult the principal foreign banks of issue and/or any other authorities in financial matters whose advice it may desire.

(*e*) In case of vacancy in a position of a foreign member of the General Board, arising from death, resignation or other cause, there shall be a new election of another person of the same nationality to fill the vacant place. This election shall be by the foreign members of the Board who are in active membership at

the time this election is held. Unanimity less one vote shall be necessary for an election. The new member shall always be chosen from among the nationals of the country of the member whose vacancy he is to fill. Before electing any foreign members of the Board, the Board shall consult, with reference to said election, the central Bank of Issue of the country whose national is to be chosen and/or any other financial authorities of that country whom it may desire to consult.

(*f*) The foreign members shall be chosen, one from each of the following nationalities, British, French, Italian, Belgian, American, Dutch, and Swiss.

(*g*) On the unanimous vote of the General Board, the number of German members may be increased.

(*h*) No Government official, or other person receiving compensation from the German Government, or from any foreign Government shall become a member of the General Board.

(*i*) Except as otherwise provided for by the Bank's statutes, decisions of the Board shall be by a majority vote of the ten (10) members, or by a simple majority vote if the President and the Commissioner are included in the majority. Should a member not be able to attend a meeting of the Board, it will always be open to him to empower one of his colleagues, by registered letter or by telegram, to vote for him and on his behalf.

(*j*) At each of the meetings, and at least once every month, the General Board shall examine the reports submitted to it by the President and the Commissioner. It shall adopt decisions on all the proposals made to it by the President and the Commissioner, provided that these decisions do not encroach upon the rights reserved to the President and the Managing Board as specified in Sections V and VI above.

(*k*) The metal reserve of the Bank and the office for the printing of the notes shall be in Germany, but the General Board may, by a three-quarters (3/4) majority vote, decide that either or both be transferred abroad to a neutral country.

VIII.—The Commissioner.

(*a*) The Commissioner, who shall be a foreigner, shall be elected by a majority vote of not less than nine (9) members of the General Board, of which majority at least six (6) votes shall be those of foreign members. The Commissioner's term of office shall be fixed by the Organisation Committee.

(*b*) The Commissioner may be elected from among the members of the Board of foreign nationality, or may be chosen from outside the Board, from citizens of any one of the foreign countries represented on the Board. The election by the Board of a non-member to the position of Commissioner shall operate to vacate automatically, the position of the citizen of the country of which the Commissioner is a citizen. A Commissioner elected from outside the Board shall, by the fact of his election, become a member of the Board.

(*c*) If, at the first election, the person chosen as Commissioner should be a member whose term, as decided by lot, in accordance with paragraph (*b*) of Section VII of this scheme, should only be one year, the term of this member shall automatically be increased to two (2) years. In this case, one of the two foreign members who have been assigned to two (2) years' term, shall have his term reduced to one (1) year. The decision as to which of the two foreign members shall have his term thus reduced from two (2) years to one (1) shall be made by lot.

(*d*) It shall be an essential duty of the Commissioner to enforce the provisions of the law and the statutory regulations relative to the issue of notes and the maintenance of the Bank's reserves which guarantee that issue. To this effect, the Commissioner shall have the right to have furnished to him all statistics and documents which he may deem useful for the accomplishment of his task, and whenever it appears to him necessary, he may make any investigations either in person or through his assistants. He shall be entitled to be present at the meetings of the Managing Board in Berlin.

(*e*) The office entrusted with the custody of the reserve of notes shall only deliver notes when authorised by the Commissioner so to do.

(*f*) The Commissioner shall be bound to the greatest secrecy in regard to all information he may obtain on the commercial operations of the Bank.

IX.—Loans, discounts and investments.

(*a*) The Bank shall make no loans or discounts having a maturity at the time the advance is made, in excess of three (3) months.

(*b*) The Bank shall discount no notes or bills bearing less than three (3) names of known solvency, except that for one name there may be substituted collateral in the form of warrants relating to *bonâ-fide* commercial transactions or to goods. Such definition shall not be taken as including any notes issued or bills drawn in financial transactions or secured by stocks, bonds or other investment securities but may include Treasury Bills of the German Government.

(*c*) The Bank may, with the special authorisation of the General Board voting in the conditions laid down in paragraph (*i*) of Section VII, accept the long term bonds of the Reich as collateral for loans with maturities not exceeding three (3) months, if the loans bear two (2) responsible names, in addition to the collateral. one of these names being the name of a commercial bank doing business in Germany. Provided: that loans collaterally secured by the long term securities of the Reich shall never exceed the amount of the Bank's net paid-in capital and surplus, except by the unanimous vote of all the members of the General Board save one.

(*d*) The Bank shall make no loans nor advances on the security of real estate, mining property, oil property or stock shares; nor on the security of Government obligations, except as otherwise provided for in this plan. The Bank may, however, take mort-

gages or titles to such property, stock shares and Government debt bonds as additional security for loans previously made in good faith in accordance with provisions herein made.

(*e*) Subject to the provisions contained in Article X (*a*), the Bank shall make no loans, discounts, or other advances directly or indirectly, to the German Reich, any German State, Communes or other German Governmental units, or to any foreign Government or Governmental units, nor shall it invest its funds in the bonds, debentures or other debt of any such Governmental unit, except as otherwise specifically authorised by its constitutive law. The deposit accounts and current accounts in the Bank of the German Reich, the German States, the German Communes or other German Governmental units, shall never show a debit balance.

(*f*) The Bank shall not accept time bills of exchange drawn against it.

(*g*) The Bank may not buy or sell merchandise, produce, real estate or stock shares of other corporations for its own account.

(*h*) The restrictions contained in the preceding paragraph shall not operate to prevent the Bank from buying such real estate, equipment and supplies as it needs for its own banking business, or from selling such property as may come into its possession in connection with the guarantee of statutory loans. Moreover, the Bank shall not be prevented by the above restrictions from buying in property where it needs to do so, in order to protect itself in the collection of statutory loans previously made in good faith and not paid at maturity.

X.—Service of the Reich's Treasury.

(*a*) The Managing Board is authorised to make advances from time to time to the Reich, but the amount outstanding at any one time shall never exceed 100 million marks. Such advances shall, in no case, be for a longer period than three months and in no case shall the Reich be indebted to the Bank at the end of the Bank's financial year, which shall coincide with that of the Reich. In consideration of these facilities, the Reich and its Treasury shall conduct all their domestic and foreign banking business through the medium of the Bank.

(*b*) The Managing Board shall also be empowered to grant advances to the Post Office and the Railways for reasonable amounts on condition that these organisations shall entrust the Bank, except in so far as the Bank might modify this condition, with the whole of their Treasury Service; but the total amount of loans outstanding to the Post Office and the Railways together shall never exceed 200 million gold marks.

XI.—Service of the reparation treasury.

The Bank will receive on deposit, sums paid for reparations, it being understood that the relationship between it and the Committee entrusted with reparation receipts shall be solely those of banker and customer.

This Treasury service will proceed in conformity with the provisions of Annex 6 to the general Report. The maximum amount to be held on deposit for reparation account shall at no time exceed two (2) milliards of marks in conformity with Section X (*a*) of this Annex, except as otherwise provided therein.

XII.—Bank notes.

(*a*) The Bank shall have the exclusive right of issuing and circulating bank-notes in Germany during the period of its charter.

(*b*) The German Government may not itself issue any kind of paper money for circulation in Germany, during the period of the Bank's charter, nor shall it permit any German State, Commune, City, other governmental unit, corporation or private individual, to issue or circulate paper money in Germany during the period of the Bank's charter, with the exception of the Banks of Baden, Bavaria, Saxony and Wurtemberg, which shall retain their charter of issue for sums not to exceed their present legal quota. The notes of the Rentenbank shall be gradually withdrawn from circulation under the conditions prescribed in Section XV and the Appendix hereto.

(*c*) During the period of the Bank's charter, the Reich shall not issue any coins for circulation in Germany (except gold coins, containing approximately their full value in gold metal) of a larger denomination than five (5) marks; and shall not issue coins of five (5) marks or less, in excess of twenty (20) marks per capita of her population. All coins, other than gold coins, issued by the Government, shall be issued through the Bank. They shall be received by the Government in unlimited quantity at their nominal value, in payment of all taxes and other Government dues.

(*d*) The bank may issue notes for circulation, against gold coin or bullion, statutory discounts as defined in Section IX, demand credits in foreign banks and foreign commercial trade bills, with maturities of three (3) months or less, taken at their present gold values at current rate of exchange.

(*e*) The notes of the Bank, as well as metallic currency, shall be receivable in unlimited quantities for all taxes and other government dues in Germany. The notes shall be unlimited legal tender, unless otherwise specifically provided by contract, for all debts, public and private.

(*f*) The notes of the Bank shall be accepted at their nominal value for all payments made to the Bank, both at the head office of the Bank in Berlin, and at all branches of the Bank located in Germany.

(*g*) Notes shall be payable to bearer at the head office of the Bank in Berlin on presentation. The notes shall also be payable on presentation at the other offices and branches of the Bank, to the extent permitted by their cash reserves and monetary requirements. Payments may be made in any of the following forms, at the option of the Bank:

(1) German gold coins of the present legal standard of weight and fineness, at par;

(2) gold bars, in denominations of not less than one (1) thousand gold marks, and not more than thirty-five (35) thousand gold marks, at their pure gold equivalent in German gold coin of the present legal standard of weight and fineness;

(3) demand drafts, payable in gold or in foreign currencies at current market gold values, and drawn on funds located abroad in solvent banks to be specified by the Bank's statutes provided that the premia above the gold pars (or gold values, in the case of currencies not on a gold basis) charged by the Bank for such drafts shall never exceed the amount necessary to cover shipping expenses, including interest for the time of transit, on gold bars shipped in substantial quantities from Berlin to the foreign financial centre on which the draft is drawn.

The Committee is of opinion, however, that, at the inception of the Bank, conditions will be unfavourable for the application of the above rule of convertibility; in this event, this rule may therefore be temporarily modified by the affirmative vote of every member but one of each of the following groups :

(1) The Organisation Committee.

(2) The Managing Board.

(3) The General Board.

In case of such modification, the Bank shall make all possible efforts and use all the means at its disposal in order to maintain the rate of exchange of the mark at as near gold parity as possible. Furthermore, in case of modification of the above mentioned rule of convertibility of notes, a return to convertibility will be permanently established as soon as possible, by a simple majority vote of the General Board, and of the Managing Board.

(*h*) While the Bank shall not make reimbursement for notes that have been lost or completely destroyed, it shall replace worn or torn notes, on application, by notes in good condition, at their nominal value ; provided that such replacement shall not be required in the case of any note unless the part of the note presented shall constitute more than one-half of the note.

(*i*) The notes of the Bank shall bear the facsimile signature of the President and the seal of the Commissioner.

XIII.—Reserves.

(*a*) The Bank shall always carry a normal reserve of at least thirty-three and one-third ($33^1/_3$) per cent. of the total amount of its notes outstanding, subject to the following qualification :

In exceptional circumstances, the reserve against notes may be reduced below thirty-three and one-third ($33^1/_3$) per cent. on the proposal of the Managing Board, by a decision of the General Board ; but said decision of the General Board shall require the affirmative vote of every member of the Board save one. In case of such a reduction in the reserve, the Bank shall incur the follow-

ing penalties, the proceeds of which it shall pay to the Reich: whenever the reserve against notes shall be less than thirty-three and one-third (33 1/3) per cent. of the notes outsanding and shall so continue for more than one week the Bank shall pay the following deficiency tax upon the amount by which the said reserve is less than thirty-three and one-third (33 1/3) per cent. of the notes outstanding :

When the reserve is below thirty-three and one-third (33 1/3) per cent. and not below thirty (30) per cent. a tax of three (3) per cent. per annum ;

When the reserve is below thirty (30) per cent. and not below twenty-seven (27) per cent., a tax of five (5) per cent. per annum ;

When the reserve is below twenty-seven (27) per cent. and not below twenty-five (25) per cent., a tax of eight (8) per cent. per annum.

When the reserve is below twenty-five (25) per cent. a tax of eight (8) per cent. per annum plus one (1) per cent. per annum for each one (1) per cent. the tax figure is below twenty-five (25) per cent.

(*b*) No discount rate or rediscount rate shall be below five (5) per cent. per annum when the reserve mentioned in the preceding paragraph shall have continuously, for one week or more, been below thirty-three and one-third (33 1/3) per cent. of the bank note liabilities there mentioned.

(*c*) Whenever a deficiency tax is payable, a percentage equal to at least one-third (1/3) of the percentage rates of the tax payable shall be added to the Bank's discount rate and rediscount rate, in addition to any increase in the said rates required to comply with the provisions of the preceding paragraph.

(*d*) The above-mentioned legal reserve may be kept in gold bars or gold coin, at any office of the Bank, and/or in the form of demand deposits, made payable in gold or its equivalent, at the rates at which the deposits were made, in banks of high standing located in foreign financial centres.

(*e*) The Bank shall also hold a special reserve of gold and gold deposits, of the same character required to be held against its notes in circulation, to the amount of twelve (12) per cent. of its deposit liabilities. Whenever the above reserve is continuously, for one week or more, below said twelve (12) per cent., the Bank shall pay a deficiency tax of four (4) per cent. per annum on the amount by which the reserve is less than twelve (12) per cent. and not less than ten (10) per cent. ; a tax of eight (8) per cent. per annum on the amount by which it is less than ten (10) per cent. and not less than eight (8) per cent.; and a tax of ten (10) per cent. per annum in addition to the said eight (8) per cent. for each one (1) per cent. by which the percentage figure is below eight (8) per cent.

(*f*) In order to assure adequate liquidity in the assets securing the Bank's deposit liabilities, the Bank shall at all times hold in addition to its afore-mentioned gold reserve of twelve (12)

per cent. demand deposits in Germany and abroad, cheques on other banks, and statutory notes and bills of a commercial character, payable at call or on time with maturities of less than thirty (30) days to the amount of not less than thirty (30) per cent. of the Banks total deposit liabilities.

(*g*) The above-mentioned reserves and the liquid assets above described shall be segregated for the service of the Bank's deposits.

XIV.—Profits.

The net profits of the Bank, at the end of each financial period, shall be employed as follows :—

(*a*) Twenty (20) per cent. shall be transferred to surplus or reserve until the Bank's actual net paid-up capital and surplus shall amount to twelve (12) per cent. of its average liabilities on circulating notes, on the fifteenth day of the six preceding months. If the ratio shall again fall below this twelve (12) per cent., the above-mentioned allotment of twenty (20) per cent. of the net profits to surplus or reserve shall continue. When and so long as the ratio of the Bank's net capital and surplus or reserve to its average liabilities on circulating notes, as above computed, shall exceed twelve (12) per cent., the Bank may use its discretion as to the percentage of its net profits it will transfer to surplus or reserve provided that the percentage thus transferred shall never exceed twenty (20) per cent.

(*b*) A sum shall be assigned to the payment of dividends sufficient to pay eight (8) per cent. per annum on the Bank's shares.

(*c*) The balance of the net profits shall be divided as follows :—

(1) One-half (1/2) to the shareholders, in dividends or to a special fund to be used for the maintenance of a uniform dividend policy.

(2) One-half (1/2) to the Government, as a franchise tax for the Bank's exclusive privilege of issuing circulating bank-notes.

(*d*) The dividends of the Bank and other income derived from its capital shares owned by foreigners residing abroad, shall be exempt from all German income taxes, present and future ; provided that this exemption shall not apply to general taxes imposed in Germany upon the real property of the Banks in general. The Bank, however, in consideration of the percentage of profits accruing to the Government under paragraph (*c*) (2), shall not be subject to any corporation tax or business tax levied in Germany by the Reich, the States or any other governmental unit.

(*e*) Such privileges not inconsistent with this plan, now enjoyed by the Reichsbank, as may be specified by the Organisation Committee as desirable and advantageous to the new Bank shall be given to it.

XV.—Liquidation of the Rentenbank.

The rentenmarks shall gradually be withdrawn from circulation by the Bank in accordance with the provisions contained in the Appendix attached.

XVI.—Dollar-Schatzanweisungen.

(Treasury Bills in Dollars.)

(*a*) The German Government shall abandon all its rights to the proceeds from the liquidation of the Reichsbank (unless the present plan is put into execution by means of the transformation of the Reichsbank), in return for which the latter will give the Government an undertaking to assume responsibility for the repayment of the said bills not in excess of 210 million gold marks, under conditions to be settled by the Reichsbank with the holders of these bills.

(*b*) At the same time, in order to guarantee the good faith of this operation, that is to say, in order to guarantee the Reichsbank against any loss resulting from this operation, the German Government shall hand over to the Reichsbank gold bills for an amount equal to and falling due at the same date as the dollar bills in circulation. As soon as the liquidation of these dollar bills has been completed, the Reichsbank will return to the German Government the portion (if any) of the bills which it has received, and which has not been employed in ensuring the liquidation.

XVII.—The Reichsbank.

(*a*) If the present plan is put into execution by means of the transformation of the Reichsbank, the latter shall redeem the outstanding circulating notes in its new notes, at the rate of one billion (1,000,000,000,000) marks to one (1) gold mark. The old notes shall be immediately withdrawn from circulation and cancelled.

(*b*) The Reichsbank, in case it is continued, shall meet the same reserve requirements against the outstanding notes which it undertakes to exchange, in accordance with the provisions of paragraph (*a*) of this section, as are required to be held against bank notes outstanding by Section XIII of this plan.

(*c*) If the Reichsbank is to be liquidated, this operation will be carried out by the new Bank which would be then set up, and which would have to assume responsibility for, or itself carry out, the exchanges provided for in paragraphs (*a*) and (*b*) above.

XVIII.—Penalties.

A penalty in the form of fine or imprisonment or both shall be provided for the punishment of any person or persons wilfully giving incorrect information, directly or indirectly, to the President, the General Board, the Commissioner or his assistants.

XIX.—Measures to be taken by the German Government for the execution of the plan.

All the undertakings which the German Government will have to enter into in connection with the Bank, for the execution of this plan, including the assignment for the withdrawal of the

Rentenmark, of funds to be received from the Rentenbank's mortgages, shall be embodied in a special contract between the Bank and the German Government. This contract as well as the Statutes of the Bank, shall be duly approved by the German Parliament.

Appendix to Annex 1.

The Liquidation of the Rentenbank.

(Appendix provided for in Section XV of the Plan for the Bank.)

The Deutsche Rentenbank was founded, and its operation regulated, by the Decree of October 15, 1923.

The capital and the initial reserve were fixed by this Decree at 3,200 million Rentenmarks, to be furnished half by agriculture and half by industry and commerce, including the banks.

The Rentenbank holds a general mortgage, expressed in gold marks, on industrial, agricultural and commercial property, amounting to 4 per cent. of the value of this property as assessed for the Wehrbeitragsgesetz.[1]

These mortgages bear 6 per cent. interest for the benefit of the Rentenbank.

The Rentenbank is authorised to issue bank notes expressed in Rentenmarks up to the amount of the capital and initial reserve (3,200 million gold marks).

The Rentenbank must open credit to the Reich during the two years following its foundation, up to the amount of 1,200 million Rentenmarks, of which 900 millions will bear 6 per cent. interest and 300 millions will bear no interest. The Rentenbank is authorised moreover to open credits to the Reichsbank and to the private Banks up to 1,200 million Rentenmarks, in order to finance private economy.

Up to the present the Rentenbank has placed in circulation :

(1) 700 millions which have been delivered to the Reichsbank in order to provide for the credits to be granted by the latter to German manufacturers and merchants. This sum is therefore guaranteed by drafts or credits redeemable in Rentenmarks. If and when the Rentenbank is liquidated, no attention need be paid to them;

(2) 1,100 million Rentenmarks which have been advanced to the Reich without any security but the signature of the latter, 900 millions of which bear 6 per cent. interest per annum and 200 millions bear no interest.

In so far as concerns this latter sum of 1,100 millions the new Bank (or the Reichsbank, if it is maintained) would assume the obligation *vis-a-vis* the holders of these notes to redeem them gradually within ten years. To this effect the Rentenbank would undertake to remit to the Bank, as fast as they came in, all sums received from its debtors whether from the property holders affected by the Rentenbank mortgage or from the State, up to the sum of 1,100 millions.

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[1] The amount of this mortgage already amounts to 3,700 million gold marks.

This undertaking of the Rentenbank *vis-a-vis* the Bank would be covered by all the mortgages and guarantees which it holds, as well as by the guarantee of the German Government itself.

It should moreover be understood that all profits accruing to the Reich in virtue of its participation in the Bank would be assigned by priority to the amortisation of its debt of 1,100 millions.

As soon as the payments by the Rentenbank or by the Reich itself, as stated above, reach the figure of 1,100 millions the German Government and the Rentenbank will be released from all liability *vis-a-vis* the Bank.

Annex 2.

Suggested Index of Prosperity.

Basis of comparison.

1. In addition to the standard contribution referred to in paragraph VIII (*c*) of Part I, there shall be paid for 1929-30 and following years a supplementary sum according to the growth in prosperity of Germany. This increase in prosperity for any year shall be measured by the extent to which the index, as defined below, on the statistics of the completed preceding year, exceeds the average statistics of the base years.

Components of the index.

2. For the purpose of computing the index, the following statistics shall be employed:

(*a*) the total of German exports and imports taken together;

(*b*) the total of budget receipts and expenditure taken together, including those of the States of Prussia, Saxony and Bavaria (after deducting from both sides the amount of the Peace Treaty payments included in the year);

(*c*) railroad traffic as measured by the statistics of the weight carried;

(*d*) the total money value of the consumption of sugar, tobacco, beer and alcohol, within Germany (measured by the prices actually paid by the consumer);

(*e*) total population of Germany (computed from the last available census data, vital statistics and emigration records);

(*f*) the consumption of coal (and lignite reduced to coal equivalent) per capita.

The index base.

3. In computing the *base*, the average statistics for the *three* years 1927, 1928 and 1929 shall be taken for (*b*) budget receipts and expenditure, for (*e*) population and for (*f*) coal consumption per capita, and for the *six* years 1912 and 1913, 1926, 1927, 1928

and 1929 for the other categories (after appropriate adjustments for the difference in population and the altered gold values to make the two earlier years comparable with the four later years in this respect). The percentage change for each of these six groups, compared with the base, shall be separately computed and an arithmetical average of the six percentage results taken as the index.

Payment to which the index is applied.

4. The index percentage shall be applied to the amount of the standard payment, viz. 2,500 millions, to give the supplement for the year, except that for the five years 1929-30 to 1933-34 it shall apply to 1,250 millions, or one half of the standard payment only.

Minute adjustments ignored.

5. The supplementary payment is to be reckoned only for each completed half per cent. of the index, *i. e.*, an index average of 11.35 per cent. would be reckoned as 11 per cent.

Computation of supplement.

6. For the year 1929-30, the computation of the supplement shall be made after the end of that year by comparing the statistics of 1929 itself with the index base.

Deficiencies.

7. In the event of the index in any year producing, as the supplement, a minus quantity, the basis payment should continue to be made, but subsequent supplementary payments shall not accrue due until allowance has been made therefrom for such deficiency or "minus" payment of previous years.

Difficulties in application.

8. Any disputed points upon the application of the statistics of this index shall be referred to the Finance Section of the League of Nations for arbitration.

Changes in the value of gold.

9. The German Government and the Reparation Commission should each have the right in any future year, in case of a claim that the general purchasing power of gold as compared with 1928 has altered by not less than 10 per cent., to ask for a revision on the sole and single ground of such altered gold value. The alteration to be made may apply both to the standard contribution and the supplementary payment. Failing mutual agreement, a decision should be given by an arbitral committee appointed by the League of Nations. After decision, the altered basis should stand for each succeeding year until a claim be made by either party that there has again been a change, since the year to which the alteration applied, of not less than 10 per cent.

The alterations under this paragraph should be made by reference to such generally approved index numbers of prices (German or non-German), singly or in combination as the arbitration may decide.

Annex 3.

General Report on the German Railways made to the First Committee of Experts.

Note by the First Committee of Experts.

Of the assets and revenues of the German Reich and its constituent States subject to the application of Article 248 of the Peace Treaty, the German railway system is undeniably the most important and also that which can be the most easily utilised for the purpose of reparation.

The German railway system comprises about 53,000 kilometres of lines, and the rolling-stock will very shortly amount to:

Locomotive engines (excluding electric and motor engines)	30,850
Passenger vehicles	69,253
Wagons	748,753

A considerable portion of this rolling stock is of recent construction. Two-thirds of the whole (18,000 locomotives and 500,000 passenger vehicles and wagons) were brought into service in the last ten years. The rolling-stock at present possessed by the German railway system is very superior both in quality and quantity to that which was in use before the war.

Speaking generally, it may be said that the equipment of the German railways is modern and fully up to the level of the latest improvements in railway technique.

The capital cost of the system amounts to not less than 26 milliard gold marks.

The Experts called in the services of eminent railway specialists, and requested them to make a study of the German railways; their report is attached.

General Report.

26th March, 1924.

In our earlier Reports we described the situation of the German railways and replied to various questions asked by the Committee, especially as to the amount of net revenue which we considered they could yield for reparation purposes. We have now, as requested by the Committee, brought together in a single document the essential portions of these reports together with our own conclusions.

We desire to thank the German Minister of Railways and his staff for the manner in which they have assisted our enquiry in

Berlin with information both verbal and documentary. In the short time at our disposal it has naturally not been possible for us to push our investigations very far, but we trust that the Report which we now present is adequate for the purposes of the Committee, and we think its substantial accuracy may be relied on.

Capital invested in the German railways.

In a preliminary report we stated that the capital value of the German railways might safely be taken at not less than 20 milliard gold marks. An official publication shows that the debt of the several States specifically entered as railway debt, less that portion of it applicable to the ceded territories, amounted in 1914 to 17.93 milliard gold marks. In March, 1920, at which date the railways were transferred from the ownership of the several States to that of the German Reich, the invested capital was reckoned as 25-28 milliard gold marks. This large increase is explained by the fact that at the date of the transfer :

(*a*) the value of the railways of the separate States was written up to conform to the real amount of capital that had been invested in them, much of which had never been or had ceased to be represented by railway debt ;

(*b*) there was added to the old capital the value of the additions made during the war.

Between March, 1920, and March, 1923, the capital invested was further increased to 25.86 milliard gold marks. The expenditure for the current year and that which will still need to be incurred in payment for commitments already entered into will put the final figure well over 26 milliard gold marks.

The above figures represent capital invested, which is sometimes a very different thing from capital value. But in this case the capital value of the German railway system which comprises 53,000 kilometres at 500,000 gold marks per kilometre may be taken to be fully equal to the capital invested. Now a large part of the system is double tracked ; the lines, stations, yards and buildings have been constructed to a high standard, and they are very amply equipped with up-to-date rolling stock. A comparison with the capital cost per kilometre of the railways of other important countries, taking account of all the factors on both sides, gives good grounds for saying that the German figure of investment is by no means an excessive representation of actual cost.

Net revenue attainable.

We think that a net annual revenue of one milliard gold marks per annum can reasonably be expected from the German railways. This is very slightly more than the net revenue earned before the war ; but it was then earned very easily. No attempt was made to maximise net revenue, which was much more than sufficient to meet the interest on the railway debt.

On the one hand, the tariffs were kept low; especially for passengers. The guiding principle was, as has been recently expressed in a brochure published by Dr. Sarter, whose statement, as he is a highly placed official in the Transport Ministry, may be taken as authoritative: "The State Railways ought primarily to have regard to the progressive development of the economic life of the country and to treat the attainment of net revenue as only of secondary importance."

On the other hand, the operating expenses were unduly high: the staff was unnecessarily large; and magnificent stations and enormous shunting yards were worked at great expense. Moreover, as is shown by the figures which we have given above, the working expenses included year by year large sums for improvements and additions which might properly have been charged to capital.

It may be thought—seeing that for some years past the gross receipts of the German railways have not covered their expenses. and that recently the expenditure was several times as great as the receipts, while even now the earnings are only equal to the expenditure—that this estimate of ours is unduly sanguine.

But it is to be remembered that since the war almost every country has gone through a similar experience. Even in the United States, where there was no currency depreciation, the net income of the railways in 1920 was negligible; whereas in England where currency depreciation is quite small, the receipts in 1921 fell short of the expenses. But in both countries the situation has now completely changed, and if in other countries the railways have still not regained financial equilibrium, experience sufficiently shows that this phase is only temporary. And Germany has one special circumstance of the first importance in her favour. On the railways of England and America, the wages of the railway staff are roughly double what they were before the war. No such advance has taken place in Germany. On the contrary, the average wage is at present, we are informed, only 75 per cent. of the pre-war wage. It is proposed in the current year to increase this percentage to 93 per cent. of the pre-war average. But there is no prospect of any such increase above the pre-war standard as has taken place in the two countries mentioned. And this for two reasons: the cost of living has not increased in Germany, as it has there, and, as German wages in other occupations have not risen, railway wages do not compare unfavourably.

Naturally we do not suggest that a milliard of net revenue is attainable at the outset. But we think a substantial sum can be obtained very shortly, and that the full amount should be reached within a period of three years. It should be arrived at in the manner following:

During the war there was imposed in Germany, as in other countries, a transport tax. This tax still continues to be levied. It is included in the rates charged to the public but is paid over

by the railways direct to the Finance Ministry and forms therefore no portion of the railway revenue. It is a tax on the gross receipts, and is fixed at 7 per cent. on all receipts from freight traffic other than coal, and at 10 per cent. to 16 per cent., according to class, on passenger traffic. On the average it amounts to 6 per cent. of the total gross receipts. It is estimated to produce in the year 1924, 227 million gold marks. If in future years the traffic increases, or if the same volume of traffic is charged at a higher rate, naturally the proceeds of the tax will increase proportionately. It seems safe to assume that its yield will not fall below the present figure. Moreover, as it is levied on the gross and not on the net income, it is independent of any variations in the cost of operation. If, as we recommend, the German railways in future are required to pay over the proceeds of this tax to the Reparation Commission, the Commission will have from the outset a safe and important source of revenue at their disposal.

There remains a sum of 800 million gold marks in round figures to be obtained, and it can, in our judgment, be obtained as net profit on the railways, on condition that the tariffs are fixed at a reasonable level, that the number of employees is reduced to a reasonable figure, and that in all other matters curtailment of expenses is secured by economical operation on business lines.

Before the war the German railways spent 70 marks for every 100 marks which they earned. In technical railway language the "operating ratio" was 70 per cent. This was an unusually high ratio, especially having regard to the fact that the railways paid no taxes. It was a good deal higher than the English ratio, much higher than the ratio in France. But in every country there has been since the war, a marked increase in the ratio, and we do not think that under post-war conditions the German railways can be expected to operate at a ratio so low as 70 per cent. Not only have they now to bear the transport tax, but, though a great rise in wages—the main cause of the rise of the operating ratio in other countries—is not to be expected in Germany, the increased cost of materials, coal and steel particularly, seems likely to be permanent. We think however that an operating ratio of 80 per cent. ought to be attainable. We base this opinion in the first place on our investigation of German conditions, and especially on two facts :

(1) that new rolling stock has been acquired in the last few years in such large measure that the need of repairs and renewals will be exceptionally small for some years to come, and

(2) that the recent very large expenditure on fitting the freight wagons with continuous brakes should result in important operating economies.

In the second place, we think our knowledge of what has happened and is happening in other comparable countries justifies us in asserting in broad terms that, given efficient and economical

management, there is no apparent reason why the operating ratio should not be brought back in a short time to 80 per cent. in Germany as it has already been brought back elsewhere.

In England and America, as we have said, the wages of the staff have doubled, but the tariffs are only roughly 50 per cent. above the pre-war tariffs. In the result, the operating ratio has become much higher than before and stands at present at about 80 per cent. But the remaining 20 per cent., calculated on a greatly increased gross revenue, suffices to give a return of over 4 per cent. on the railway capital.

Now in Germany a gross revenue of 4,000 million gold marks per annum is in sight at the present moment. With a gross revenue of 4,000 million gold marks per annum and an operating ratio of 80 per cent., the net revenue would be 800 million gold marks. And this sum added to the 227 million gold marks of the transport tax yields a total of over one milliard gold marks.

And the whole of this sum can be made available for reparation. The fall of the mark has wiped out the pre-war railway debt; the plan before the Committee will, we understand, relieve the railways under the new management of responsibility for the debts recently incurred; and capital has been so lavishly spent in the last few years that there can be no justification for further expenditure for some years to come. In future years we assume that, under commercial management, new capital will not be spent, unless with the assurance that the resulting profits or economies will at least suffice to meet the interest.

We shall revert to the matter of receipts and expenditure when we come to discuss the budget estimate for the year commencing April 1924.

Meanwhile it may be useful to approach the subject from another point of view.

One milliard is less than 4 per cent. on the railway capital of 26 milliards. If we deduct the transport tax, which certainly does not exceed in amount the taxation levied on railways in other countries, the German railways are only required to earn a fraction over 3 per cent. on their capital. And as already stated, we have no reason to think that the German railways are over-capitalised. 3 per cent. can hardly be regarded as an excessive rate of interest.

In England the Rates Tribunal is required by Statute to permit the railways, provided that their management is efficient and economical, to charge rates adequate to produce a net income of roundly one milliard gold marks on a capital somewhat less than that of the German railways. In America, the Interstate Commerce Commission, also acting under statutory authority, has decided that 5¾ per cent. is a reasonable return on railway capital, and has authorised rates regarded as sufficient to produce this return.

If the German railways are required to pay very little more than 3 per cent. for reparations, they ought, under efficient and economical commercial management, to earn a substantial surplus over and above, which can be applied in relief of the general taxation of the country. At the same time, it should be understood that the profits on railways, like those of other commercial undertakings, vary from year to year. There are good times and bad times. The milliard which we have assumed as a reasonable return must be regarded as an average one year with another.

As we have already said the full net revenue will not be attained from the outset. A period of some years will probably need to elapse. For the German traffic has been seriously affected by the occupation of the Rhine-Ruhr railways.

Time will be needed after the railways have been reorganised as a united system to bring the new system into work and to re-establish completely the old traffic. And this reorganisation will mean expenditure. Further, the necessary reform of the management will take time to carry out and will not produce its full effect at once.

For all these reasons and naturally without committing ourselves to mathematical accuracy we think it reasonable to estimate that the net revenue apart from the transport tax, and after providing for building up of an adequate reserve, will increase as follows:

	Million gold marks
1st year	400
2nd year	550
3rd and 4th years	700 to 750
5th and subsequent years	800

Measures to obtain results.

It is evident in the first place, that the railways, in common with every other German undertaking, can only give satisfactory results if the currency is stabilised and political and social tranquility prevails.

As for the measures to be taken to obtain the results indicated above, we may repeat: the railways must be worked as a commercial enterprise, that is to say, with the determination on the one hand so to fix the rates as to produce all the receipts that can be obtained, and on the other hand to reduce the expenditure to a minimum. The management of the German railways has hitherto been far from working to this standard. We shall show later that since the war the tariffs both for passenger and freight have been kept too low, with the object of encouraging industry and commerce, and especially of favouring German export. The tariffs are still regarded as they were before the war, primarily as a weapon in the hands of German trade, and only secondarily as a source of railway revenue.

On the other hand, the expenditure on rolling stock and works of every kind has been extravagant since the war, and the staff employed is at the same time much too large and badly paid.

It is therefore indispensable to make a radical change in the policy followed by the railways hitherto. But we do not believe that any German management will have the strength necessary to fight successfully against the traditional mental attitude, unless there is behind it the constant pressure of an expert control, established and maintained in the interests of the Allies, to supervise the management in the matter both of tariffs and of expenditure.

We shall deal later with the question of the control in greater detail.

Further, we regard a complete change in the organisation as essential. We think that the recent establishment of a separate undertaking, with a separate budget and with a certain measure of independence, though it is a move in the right direction, does not go far enough. The undertaking, though separate, still remains a Government undertaking. In our judgment it is necessary to go further and, while leaving to Germany the ownership of the railways, to entrust the management for a period of years to a commercial company, which will be German, but with a board of directors containing representatives both of the shareholders and of the creditor Allied Powers.

What this period of years should be, how the company should be constituted, with what powers, and with what restrictions, is a matter which we understand the Committee itself will deal with. We need only urge that the Company and its management must have adequate freedom in the matter both of tariffs and operation. And if we may vary the phrase of Dr. Sarter, we think that a commercially managed railway company ought to treat the attainment of an adequate net revenue as of primary importance, while at the same time having regard to the progressive development of the economic life of the country, and being careful not to kill or even impair the productive capacity of the goose that lays the golden eggs.

Moreover, as we have already said, the financial result which we have mentioned can only be attained on condition that the entire German railways are either united in one system under a single management, or divided in a reasonable manner into several systems working in harmony, with the same tariffs and under the same general regulations. If we had to contemplate separate systems wholly out of harmony with each other, the results obtained would certainly not correspond to our estimate of the net revenue obtainable.

Though that estimate assumes the existence of an undivided German railway system, it will of course be understood that, in making this assumption we do not express any opinion as to the course of action which the Allied Governments may think it desirable to adopt or on the general question of military or economic guarantees for reparation and security.

Finally, our estimate takes for granted that the railways will not be required to carry traffic for the Government or the community, unless their services are paid for at a commercial rate. Hitherto

the German railways have carried free for the Post Office not only mails but parcel traffic. The railways of Great Britain receive at the present time from the Post Office payments for similar though smaller services amounting to more than four million pounds sterling per annum. There are other instances of a similar kind but of less importance with which it is not necessary to deal here.

Future capital expenditure.

We shall see later that the expenditure incurred since the war for new works, and especially for rolling stock has been very large. It has in our judgment gone much beyond the real needs of the railways.

For rolling stock alone there has been charged against the various budgets, a sum of more than 3 milliard gold marks, which has enabled the railways to acquire more than 18,000 new locomotives and more than 400,000 new carriages and wagons.

We think, therefore, that, broadly speaking, the capital account can be entirely closed for some years to come, without any injury to the railways. But at the same time we must not fail to call attention to the statement of the German Government that the capital expenditure to be incurred in the year 1924 will amount to over 500 million gold marks, and that to complete the programme a further expenditure of 236 million gold marks will be required in 1925. We think that this programme ought to be examined in detail, and very drastically cut down.

Still, after a certain time it will no doubt be necessary to incur new expenditure in enlarging stations or building new lines. But as we have already said, a commercial administration will not embark on new capital expenditure unless it is evident that it will be directly reproductive. The cost can therefore be paid either directly, out of increased net revenue, or if it is sufficiently important to justify this course, by loans charged on the increased revenue without trenching on the revenue pledged for reparations.

The railway budget—ordinary budget.

It seems desirable to examine the estimate for the ordinary budget for the financial year from April 1, 1924, to March 31, 1925—in German financial matters called the year 1924—which has been drawn up by the German administration.

It has been drawn up on the supposition that the Rhine-Westphalian Railways have been restored to German management. But even if and when this happens, it is probable that there will be confusion at the outset; a certain time must necessarily elapse before the normal working can be resumed and the ordinary currents of traffic restored; and further, certain exceptional expenses will have to be incurred which it is impossible to estimate exactly.

This budget is therefore somewhat theoretical, and may be considered as representing the results to be obtained in the year 1925 rather than in the year 1924. Subject to these reservations, we will proceed to summarise and examine it.

Ordinary budget including the Rhine-Westphalian Railways.

I. *Expenses.*

	Gold marks.	Gold marks.
(*a*) Salaries and wages		1,631,007,000
(*b*) Cost of material:—		
Supplies and consumable stores	545,000,000	
Maintenance of way and works	294,480,000	
Maintenance and renewal of rolling stock and mechanical plant	394,000,000	
Other material costs	140,513,000	
Reserves	200,000,000	
Interest and repayment of debt	325,000,000	
		1,898,993,000
Total		3,530,000,000

II. *Receipts.*

Passenger traffic	850,000,000
Freight traffic	2,700,000,000
Miscellaneous	130,000,000
Total	3,680,000,000
Surplus	150,000,000

Receipts.

The receipts for the budget in 1924 have been calculated by assuming a traffic somewhat greater than that in 1913, but less than that in 1921 and 1922, in which years the traffic was swelled by the activity of trade due to the fall of the mark.

The figures are as follows:

	Actual in 1913. millions.	Estimate for 1924. millions.
Passenger kilometres	35,122	40,000
Ton kilometres	57,251	60,000

The passenger receipts have been calculated on the basis of the tariffs which were in force at the time when the budget was framed. Later on, when we come to deal with tariffs, we shall point out that the 3rd and 4th class fares were too low, and that the 1st class fares, which affect only a trifling number of passengers, were too high. Since March 1st the 3rd and 4th class fares have been increased by 36 per cent., and the 1st class fares have been slightly reduced. We may assume that the result will be an increase in passenger receipts of 30 per cent., which will raise the budget estimate of 850 million to roughly 1,100 million marks.

The freight receipts have been calculated on the basis of an average charge of 4.5 gold pfennigs per ton kilometre. The tariffs in force last February, at the time of our visit to Berlin, gave a higher average receipt per ton kilometre of 5.5 gold pfennigs. But a general reduction of 10 per cent. was made on March 1st, and

others are in contemplation with the special object of encouraging national trade and industry. As we shall explain later these reductions do not seem to us justified under present conditions. If rates were maintained at a reasonable level, we may assume that the freight receipts would be about 10 per cent. above the budget estimate of 2,700 million marks, that is, they would amount to 2,970 million marks.

The receipts side of the budget would then be as follows :

	Million gold marks
Passenger traffic	1,100
Freight traffic	2,970
Miscellaneous	130
Total	4,200

Expenses.

As for the estimate of expenses for 1924, it is to be noted that the expenditure for staff, 1,631,007,000 gold marks, represents about 54 per cent. of the actual working expenditure of 3,005 million gold marks. If we exclude interest and repayment of debt and reserve, neither of which are properly included in working expenses, this proportion is much the same as that on the railways of the adjacent countries. We pointed out in previous Notes that the staff was unreasonably large. In 1919 there were 1,121,111 permanent staff and workmen employed ; at the end of 1923 the number was still very nearly one million. They must have been extraordinarily badly paid, for the percentage of the wage bill to the total expenditure was reduced in the budgets of 1922 and 1923 to 29 per cent. and 20 per cent. respectively, a figure absolutely abnormal.

The expenditure for 1924 has been calculated on the basis of a staff reduced to 793,000 although on the 1st of January the number was still 936,800. A very drastic reduction is therefore implied, and is in fact being carried through at this moment. But there will be no saving in money. Increase of wages will more than counterbalance the decrease in the number of staff, for an increase of salaries and wages amounting to 18 per cent. on the average is budgeted for. A table of the variations in the average payment is given below :

Average payment per employee per annum in gold marks.

	Year 1914	Feb., 1924	Budget Estimate for 1924
Permanent staff	2,352	1,634	1,972
Workmen	1.341	1.060	1,338
Average	1,718	1,293	1,595
Percentage of pre-war average	100	75	93

We feel bound to say that the increase proposed is entirely reasonable. The remuneration of the staff, especially in the upper and middle ranks, is quite inadequate, and if good work is expected, it must be paid at its market rate.

A reserve of 200 million marks has been included to provide for contingencies, a course which we cannot other than approve.

The total expenses for the year 1924, including this reserve and interest and repayment of debt, to which we shall refer later, are set down in the budget as ..... 3,530 million gold marks.

With the tariffs on the basis which we have taken above, the receipts will be ..... 4,200 „

This would give a surplus of ..... 670 „

This surplus would be net profit because the reserve of 200 million and 325 million gold marks for interest and repayment of the new debt has been included in the expenses.

Further it is to be remembered that the transport tax represents in effect a further net profit from the railways. If we reckoned this tax at 10 per cent. on the passenger receipts and at 7 per cent. on the receipts from freight other than coal, we should obtain for 1924 a figure of 276 million gold marks.

The total net income of the railways would then be 670 + 276 = 946 million marks, which is very close to the milliard which we have suggested is attainable within a few years.

But as we have said already, these results are applicable to the entire German railways worked as a single system, including the Rhine-Westphalian lines, under normal conditions. Certainly they will not be obtained in the year 1924, though they should be obtained very shortly thereafter.

Interest and repayment of debt.

The sum of 325 millions set down in the budget for interest and repayment of debt during the year 1924 is divided into:

	Million gold marks
Interest	99
Repayment	225
Cost of administration	1
	325

This debt represents liabilities recently incurred, for the old debt has practically disappeared. The total amount of the current debt is 312 million marks. Particulars are given in the reply of the Government to questions asked by the Committee. There are short term loans, overdue accounts, bills of exchange maturing, advances made by the Ministry of Finance or by the Reichsbank, and emergency currency issued by the railways which has to be

redeemed. The interest charge for these debts is quite large. In certain cases we are told that interest is running at the rate of one-tenth of 1 per cent. per diem, that is 36 per cent. per annum. Evidently debts of this kind should be paid off as soon as possible.

In addition to these current debts amounting to 312 millions, it is estimated that further debt will need to be incurred as follows :

	Million gold marks
Commitments for extraordinary expenses up to March 31, 1924	110
For the expenditure of the extraordinary budget during the financial year 1924.....	387
For expenditure which will be necessary when the Rhine-Westphalian Railways are handed back	200
	697
Add debt already incurred	312
Total debt, actual and anticipated	1,009

As we have said, the ordinary budget for 1924 provides an amount of 225 million marks for repayment of debt. But it is evident that these expenditures charged on the extraordinary budget tend to increase rapidly, and it is therefore necessary to cut down the extraordinary budget. To this question we now turn.

The extraordinary budget.

A budget of extraordinary expenditure has been drawn up for the interim period from November 15th, 1923, to March 31st, 1924. It covered originally an expenditure of 220 millions, but was subsequently reduced to 170 million marks divided as follows :

Chapter I.

	Million gold marks
Dwellings	8
Additional rolling stock	77
Kunze Knorr brake	3
Miscellaneous	15

Chapter II.

Doubling of road	6
Electrification	6
Stations	32
Repair shops	13
Miscellaneous	10
Total	170

These expenses are to be covered partly by credits already available, and partly by new credits to an amount of 110 millions.

The Ministry has also furnished us with a statement of other extraordinary expenses which in their judgment are still necessary for the financial year 1924. We summarise them as follows:

Chapter I.

	Million gold marks
Dwellings	15
Additional rolling stock	110
Electric rolling stock	20
Kunze Knorr brake	28
Miscellaneous	40

Chapter II.

New tracks	10
Doubling of road	13
Electrification	10
Stations	94
Repair shops	36
Miscellaneous	11
Total	387

In addition to this expenditure of 387 million marks in 1924, it is estimated that a further sum of 236 millions will subsequently be required merely to complete works already begun. This represents the final state of a programme amounting altogether to 1,610 million marks.

This estimated expenditure, which will have to be covered by loans, has, so we are told, already been reduced to an absolute minimum. All the same, we think it ought to be re-examined point by point in order to stop or at least postpone work not absolutely necessary, except where it has been carried to such a point that it had better be completed.

The works and the rolling stock of the German railways were very fully adequate before the war. Since the war no money has been spared to enlarge works and buildings and to renew and even increase the rolling stock to an extent which will make it impossible to justify any new expenditure of this nature for some years to come. We give below particulars as to the rolling stock which bear out this statement.

Rolling stock.

Below is a comparison, based on figures furnished to us in Berlin, of the German railway rolling stock before the war and in 1924. We have ignored electric locomotives and motor cars :—

	Steam Locomotives	Carriages	Wagons
End of 1913	27,940	62,050	657,150
January, 1924	29,966	67,800	723,100

Further rolling stock ordered last year from private firms and not yet delivered amounts to :—

Locomotives.	Carriages.	Wagons.
884	1,453	25,653

Delivery of this stock was due by the beginning of May, but has been delayed owing to the occupation of the Ruhr. It is not now expected to be complete till the end of the year.

These figures show that the whole of the rolling stock handed over, either at the Armistice or together with the territory ceded under the Treaty of Peace, has been replaced by new.

Old and out-of-date rolling stock, which could only be replaced to a very small extent during the war, has been written off and replaced since 1920.

A considerable quantity of additional rolling stock has been built.

It is worth while producing a table showing the locomotives written off and replaced for each year of the last eleven :—

	Locomotives.
In 1913 there were written off	600
„ 1914 „ „ „ „	379
„ 1915 „ „ „ „	253
„ 1916 „ „ „ „	237
„ 1917 „ „ „ „	220
„ 1918 „ „ „ „	167
„ 1919 „ „ „ „	191
„ 1920 „ „ „ „	690
„ 1921 „ „ „ „	1,849
„ 1922 „ „ „ „	1,585
„ 1923 „ „ „ „	1,500
Total	7,671

The same thing has happened with carriages and wagons. We give a table showing the new rolling stock acquired since 1914 :—

	Steam Locomotives	Carriages	Wagons
Delivered: 1914-1918	8,859	11,832	181,196
1919-1923	8,506	12,313	246,388
Ordered but not yet delivered ..	884	1,453	25,653
	18,249	25,598	453,237

The result is that 18,249 locomotives and 478,835 carriages and wagons, two-thirds of the entire stock, has been built within the last ten years ; and that accordingly the rolling stock of the German railways is much superior to that which they possessed in 1914.

Replacement of rolling stock on this colossal scale has necessarily entailed enormous expenditure. We are unable to give the actual cost, for it is spread over various budgets.

The figures which have been given to us show an expenditure, up to the end of 1922 only, of 2,267,774,488 marks.

This figure does not include the cost of replacing the rolling stock handed over to the Allied Powers in 1919, 1920 and 1921, which was paid for by special credit granted by the Ministry of Finance, amounting when reduced to gold marks to 739,347,006.

The replacement of rolling stock written off is charged against the ordinary railway budget. Additions to rolling stock are charged against the extraordinary railway budget.

From November 15, 1923, to April 1, 1924, rolling stock to an amount of 150 million gold marks will be so charged.

A further expenditure of 50 million marks in the ordinary budget and of 110 million marks in the extraordinary budget is proposed for the year 1924.

Kunze Knorr continuous brake.

The application of the Kunze Knorr continuous brake to freight trains has also implied large expenditure. It was decided in 1918, while the war was still going on, to adopt this policy in order to release a large number of brakesmen, and to make possible an increase of speed of freight trains, more especially of military trains. This policy has been energetically pursued since the war; on the one hand, all the new wagons ordered have been fitted with continuous brakes, and on the other hand, the equipment of the old stock has been pushed on.

The entire programme is expected to be completed by April 1st, 1925. The total expenditure will amount to 400 million marks, of which 117 millions still remain to be paid. But it should be said that the Kunze Knorr Company has agreed to spread the payment over a period terminating only on October 1st, 1926.

Tariffs.

Freight tariffs.

A study of the freight tariffs of any country at any time involves prolonged investigation of a vast mass of bewildering detail. To present in brief outline the broad general effect is almost impossible. Certainly the short time available has not made the task possible for us. In Germany its difficulty is increased by various special circumstances.

In 1921 the whole basis of the freight tariffs was altered by the abandonment for a large part of the traffic of flat mileage rates, and the substitution therefor of *Staffeltarife,* that is, rates under which the charge per mile decreases as the mileage increases. Simultaneously, most of the exceptional tariffs, under which the bulk of the traffic had hitherto passed, were withdrawn. Many of them have since been restored in a modified form. And this is only the railway side of the difficulty.

The currency question complicates the whole story. Tariff advances were at the outset made in the shape of percentage increases of existing rates. Then came a period when an index figure was adopted with a varying multiplicator. Finally in November, 1923, the tariffs were calculated on a gold basis. The result, as we are informed, was that the freight tariffs were found to be on a level so high in comparison with the capacity of the traffic to bear the rates, that reductions on a large scale became absolutely necessary.

We are far from satisfied that this was or is the case. We feel convinced that further investigation would support our general conclusions that the freight rates have been, and are proposed to be. reduced in a manner and to an extent which cannot be justified from the railway point of view, and that this has resulted from the training and mental attitude of the officials, who have been brought up to share the views expressed in the quotation from Dr. Sarter which we have given above.

At the same time we feel it necessary to utter a note of warning. Our conclusion, that freight tariffs might be a good deal higher than the German officials think they can profitably be, is based mainly on the average receipts per ton-kilometre to-day as compared with the pre-war figures. We are told that these figures give a misleading impression of present-day facts. And numerous comparisons of certain important rates and classes of rates, pre-war and post-war, have been submitted to us, which would, if typical, put a different complexion on the matter. In spite of these tables we still adhere to the opinion we have expressed. But the Committee will appreciate that what we have said is only an expression of opinion, and cannot claim to be a considered judgment based on fully ascertained statistical facts.

We have found it impossible to satisfy ourselves how high the present German freight tariffs really are. The earliest documents submitted to us stated that the freight tariffs might be assumed to be double the pre-war tariffs. The facts do not seem to us to bear out this statement. Before the war the freight charge per ton-kilometre averaged 3.36 gold pfennigs. It is estimated by the officials that in November 1923, at the moment when the gold mark was substituted for paper marks of indefinite value as the medium of payment for railway services, the average rate was double the pre-war. In other words, according to the official estimate, the average rate in November 1923 should have been 6.72 pfennigs per ton-kilometre. But this is no more than an estimate, and we doubt its accuracy.

Form this date there began a process which is still continuing of repeated and important reduction of rates regarded as excessive. There is statistical ground for believing that in the early part of January 1924, the average rate was 5.89 pfennigs, an advance, that is, not of 100 per cent. but of 75 per cent. above the pre-war average. On January 20th a number of important reductions came into force, and the estimate, based on such statistics as were available, was in the middle of February that the then average rate was 5.55 pfennigs, an advance on pre-war rates of 65 per cent. The reductions are however still going on, and some of them are of great importance. On March 1st an all-round reduction of 10 per cent. was made on a large part of the traffic.

The budget estimate of freight traffic receipts is made on the assumption that the average freight rate during the year will have been brought down to not more than 4.50 gold pfennigs, which is equivalent to an advance over the pre-war tariffs of only 33 per cent. No doubt this estimate errs, as was intended, on the side of caution.

On this policy we will make two observations. Taken as a whole, we have difficulty in believing that all particular reductions made and proposed can be justified. Even assuming that in certain cases reductions have been and are desirable in the interest of the railways, we feel convinced that reductions are being conceded which need not be made, and that at least in some cases the percentage of reduction is unnecessarily large. We have learned that exceptional tariffs involving great reductions, both for import of raw materials and for export of German produce, are being very freely introduced. The import rates for jute have been reduced by 25 per cent.; for raw cotton and raw wool by 50 per cent. A reduction of the rate for miscellaneous wares exported by sea, amounting to 30 per cent., is on the point of coming into force; and a reduction of 30 per cent. to 40 per cent. in the rates for steel and iron exported by sea is contemplated.

There is a point in connection with the freight tariffs and freight revenues which, though the precise facts are obscure, is of considerable importance. The budget estimate for 1924 assumes, apparently with good reason, that the ton-kilometres to be carried in 1924 will be roughly equal to those of 1913. But conditions have greatly changed in the interval. The number of tons carried has fallen apparently by about 20 per cent., while the distance the average ton travels has increased in corresponding ratio. The German officials adduce three main causes for the increase in the average length of haul:

(1) the introduction in 1921 of *Staffeltarife:*
(2) changes in the previous currents of traffic consequent on the war and the establishment of new political frontiers;
(3) diversion of traffic in consequence of the occupation of the Rhine-Ruhr territory.

The effect of (1) will be permanent; the effect of (2) will probably diminish with time; the effect of (3) will presumably be only temporary. We cannot estimate what proportion of the ascertained results has been due to these three causes respectively. But it is clear that, if in future years the tonnage does not increase, while the average length of haul goes back to anything approaching the pre-war figure, the effect on the railway revenue will be quite serious.

Before we leave the question of freight tariffs, we desire to make one observation. We have admitted that the facts are obscure; that our investigations have not been and could not be pushed very far. We have acknowledged that we have hesitated as to certain conclusions. It may well be that, where we have expressed a definite opinion, time will prove the opinion wrong.

All this we have had in mind; it does not affect the thing which from the point of view of the Committee is the really important matter, that we retain the conviction that the German railways can and should produce a net revenue of one milliard gold marks per annum available for reparation. Our forecast may well prove erroneous on certain points, too optimistic in one direction, too pessimistic in others. But our estimate is based on broader grounds than tariff details and to it we adhere.

Passenger tariffs.

The German railways have nominally four classes of passengers, but first-class carriages are not run on local trains, and fourth-class carriages are not run on express trains. The fares before the war were respectively at 7 pfennigs, 4.5 pfennigs, 3 pfennigs and 2 pfennigs per kilometre. In April, 1917, the transport tax, amounting to 16 per cent., 14 per cent., 12 per cent. and 10 per cent. on the gross receipts from the four classes respectively was introduced.

In spite of the tax, which is estimated to amount for 1924 to 85 million gold marks, the railway management did not raise fares till September, 1923. At this date the fares were increased, including tax, to 19.6 pf., 9.9 pf., 3.3 pf. and 2.2 pf. per kilometre, for the 4 classes respectively. Therefore the 3rd and 4th class fares were only increased by the amount of the tax, while the 1st and 2nd class fares were more than doubled. The result of fares so obviously out of proportion was to empty the higher classes. Accordingly in December last, the 1st and 2nd class fares were reduced by one-third. But even then, the 1st class fare was four times the 3rd class, and six times the 4th class. Naturally the 1st class was absolutely empty, being used by seven passengers out of 10,000, while seven passengers out of 100 travelled 2nd class. A good deal more than half the passengers travel in the 4th class, and a good deal more than one third in the 3rd class. Seeing that a 3rd class passenger could till a few weeks ago travel 30 kilometres, and a 4th class passenger 45, for one gold mark with an ordinary ticket, and that more than half the total number of passengers in fact travel with season tickets issued at a rate roughly one-half of the ordinary rate—could travel, that is, respectively 60 and 90 kilometres for one mark—it is not surprising to find it admitted that the rates for passenger traffic have been quite insufficient to cover the working expenses. At length, as from the 1st of March, while the 1st class fares have been further reduced to a level which may possibly secure a few additional 1st class passengers, the 3rd and 4th class fares have been increased by 36 per cent. The fares of the four classes are now 9 pf., 6 pf., 4.5 pf. and 3 pf., per kilometre, and the ratio between the classes is less unreasonable than hitherto.

We can hardly think that these new fares will be unduly burdensome to the German public, seeing that the German 3rd class fares per kilometre will still be only half the corresponding fare either in England or in the United States. But the public have so long been accustomed to be carried at non-commercial rates that we think some falling off of traffic is to be expected, at least at the outset. We have accordingly estimated that a 36 per cent. increase in fare will only produce a 30 per cent. increase in receipts.

Future control.—The Railway Commissioner.

It is evident from the facts and figures set out above, that the German Government has since the war run the railways in a manner which cannot be defended. On the receipts side it has

failed to raise the revenue which might have been and ought to have been raised. On the expenditure side it has spent capital not merely on restoring the pre-war situation, but on betterments of all kinds which under the existing conditions cannot be justified. The railways have not merely been restored to their pre-war state of efficiency, but have been brought up to a much higher standard, a standard which to the best of our knowledge is superior to that of any other country. We are given to understand that even inside the Ministry itself this policy has been severely criticised. The excuse is that the pressure on the one hand of the great manufacturers to keep their works going and to avoid a wholesale dismissal of employees, which might lead to revolts or even revolution, was too strong to be resisted ; while on the other side, the poverty of the mass of the population was so great that the Government was compelled to maintain railway rates at a low level. Whatever may have been the reason, there can be no doubt of the facts.

Our own view is that, while the reasons above had considerable weight, the action taken was by no means wholly due to external pressure. The officials in the tariff section of the Ministry were, as we have repeatedly said, only too ready to subordinate railway interests to non-railway circumstances. And the executive officers, whether charged with engineering or traffic management, were afflicted with what it is not too strong to describe as megalomania. They regarded it as due to the dignity of the German Reich that buildings should be magnificent, that railway plant should be up to a very high standard, that such and such services should be given, and so on. They had never been taught the commercial necessity of cutting their coat according to their cloth.

Now the mere transference of the railways from State to Company management will not of itself alter this mental attitude. A large part of the Board will be German: the General Manager will be German ; and his responsible officials will be the same men who have inspired and carried out the railway policy of the past. We think it therefore essential that a Railway Commissioner should be appointed by and on behalf of the Allies to supervise and, if it should hereafter become necessary, to control in their interest the German management. We will therefore, in concluding this Report, deal with what in our opinion should be the functions of the Railway Commissioner and the organisation of his staff.

The Railway Commissioner.

The Railway Commissioner must be a person who is acknowledged in the railway world as being in the first rank. It must be left for him, when appointed, to say what assistance he needs, in order to be able to assume responsibility for control of all branches of railway management. It will be his duty also to consider how far it is necessary to have local representatives in any or each of the districts into which the German railway system may hereafter be divided.

We assume that when appointed he will produce to the Board an outline of the organisation and the staff that he regards as necessary, and it will be for the Board to approve his scheme. He

must have the right to receive of course all Reports, statistical and financial returns, proposals for extra-routine expenditure, whether on capital or revenue account, for changes in tariffs or for the concession of exceptional rates and the like, when they are of such importance as would normally require the sanction of the General Manager. He must also have the right to call for any further Reports, returns and statistics, as he may think necessary, in order to enable him to form an independent judgment.

Being in possession of full and up-to-date information as to everything that is happening or is proposed, his first duty will be to decide whether to approve or disapprove. If he disapproves, or even hesitates to approve, he will discuss the matter with the General Manager. He may be of opinion that things are going wrong, or that a course of action inconsistent with the railways being able to earn a financial return is likely to be adopted, In such a case it will be his duty, if he fails to induce the General Manager to modify his policy, to bring the matter to the attention of the Board in order that they may be in a position to take such action as they think fit. It is to be hoped that, if the right man is appointed to the post, he will be able to work in entire harmony with the General Manager ; and that the General Manager, so far from resenting his interference, will welcome his support in putting a stop on the one hand to unnecessary expenditure, and in enforcing on the other hand the establishment and the maintenance of tariffs proper and adequate to secure for the railways as much net revenue as can reasonably be obtained without unduly hampering the trade of the country.

A second function of the Commissioner will naturally be to make for the foreign members of the Board reports on any points which they may regard as of serious importance. We may suggest the reasonableness of the greatly reduced German export tariffs as a sample of this class of question. It is clear that the Allied Nations have a right to claim that the net revenue of the German railways should not be reduced in order to give to German manufactures an unreasonable advantage in overseas markets.

It does not seem necessary to discuss in detail what would be the position of the Commissioner if the German railways failed to yield the net revenue fixed as reasonable for reparation purposes. We assume that, broadly speaking, in this case the Commissioner General will take over the functions of the General Manager, and that, in lieu of discussing with the General Manager or recommending to the Board of Directors, he would be empowered to issue positive orders, whether for stopping expenditure which he considered unjustifiable or for an increase which he considered reasonable in existing tariffs. It is evident that it would be necessary to require the German Government to agree in advance that, if payment on the agreed scale failed to be reached or even if there was serious danger that this failure would occur in the immediate future, the Commissioner, as the representative of the Allies, should be entitled to enter into full control.

(Signed) W. M. ACWORTH.
G. LEVERVE.

Annex 4.

Concession of the Working of the Railways to a Company.

The working of the German railways shall be legally transferred to a company by a fixed date. The law will ratify the contract to be entered into between the German Government and the company to which the concession is made. The contract will provide that no change can be made in the conditions of the concession without the consent of the company and the trustee for the bondholders referred to below.

The law will further provide that the company shall have a monopoly of all railway extension in Germany.

The charter of the company will be annexed to and approved by this law. Before being submitted to the German Parliament the law will have to be approved by the Reparation Commission.

The conditions under which the working of the German railway system will be transferred to the Company by this law, shall be as set forth below.

The Company will be of German nationality.

The Company shall be responsible for the working, upkeep and normal development of the railways, including rolling stock and equipment, and will be entitled, subject to the provisions hereinafter contained as to the powers of the German Government and the Railway Commissioner, to conduct its business in such manner as the company may think proper.

The German Government shall have such control over the tariffs and service of the railways as may be necessary to prevent discrimination and to protect the public, but such control shall never be exercised so as to impair the ability of the railroad Company to earn a fair and reasonable return on its capital value, including adequate provision for its bonds and preferred shares, a return on its ordinary shares and adequate reserves for all purposes including amortisation of capital. The plan to accomplish the foregoing shall be worked out by the Organisation Committee hereinafter referred to.

The Company shall as from the commencement of the concession be entitled to charge the tariffs then in force. Thereafter the Company shall be entitled to vary the tariffs or any of them from time to time, subject to the provisions of Articles 365 and 378 of the Treaty of Versailles.

It shall be the duty of the Organisation Committee to settle the manner in which, subject always to the preceding provision, the control of the German Government over the service and the tariffs shall be exercised.

The term of the concession shall be at least of sufficient length to allow of the amortisation of the bonds according to the provisions hereinafter contained. On the expiration of the concession, the company shall return to the German Government free from all

charge, the whole of the railway undertaking, including all rolling stock and equipment, in thoroughly good and complete working order.

As the consent of the German States is necessary under the German law of 1920 for any alienation of or charge upon the German railways, the German Government shall make in this respect all necessary arrangements with the States concerned. These arrangements shall be ratified by the law granting the concession.

This law shall confer upon the Company the right to mortgage any property belonging to the railways.

It shall also contain an undertaking that neither the Reich nor the States nor any public authority shall impose on the Railway Company any new direct tax, whether upon receipts either gross or net, or upon movable or immovable property or in respect of the employees of the company or otherwise howsoever.

The Railway Company.

Article I.

Capital of the Company.

The total capital which will be created, added to the first mortgage bonds for eleven (11) milliard marks gold referred to below, will correspond to the capital cost of the German railway system (26 milliard marks gold).

Preference shares will be created to the amount of 2 milliard gold marks, bearing a fixed rate of dividend and entitled to participation in the profits of the railways, after payment of the annual payments mentioned below. This dividend and this participation as also the terms on which the German Government may pay off or re-purchase these shares, will be fixed by agreement between the German Government and the Organisation Committee described below.

These preference shares will be sold by the Company for the profit of the German Government and of the Company itself, one-fourth ($^1/_4$) of the sum thus obtained will be the property of the German Government and three-fourths ($^3/_4$) the property of the Company. The sales of shares will be made under such conditions that the German Government will receive the whole sum due to it within two years. If the German Government so requires, the proceeds of the first sale of shares may be reserved for its use.

The balance of the capital cost of the German railway system (viz. 13 milliard gold marks) will be represented by ordinary shares, to be owned by the German Government and to be kept or sold by it as it prefers.

Article II.

Administration and management.

The Company will be administered by a Board of Directors of at least eighteen (18) members, who shall all be business men of experience or railway experts. Half ($^1/_2$) of these will be appointed by the German Government and half by the Trustee referred to below.

As soon as preference shares are issued to the public, the holders of these shares shall be entitled to elect four members of the Board in place of four members appointed by the German Government.

The Organisation Committee will also fix the duration of the term of office of the Directors of each class.

Of the nine (9) members of the Board of Directors appointed by the Trustee, five (5) may be German nationals.

The Chairman of the Board, will be elected for one year by a three-fourths (3/4) majority of the members of the Board and will be eligible for re-election as long as he possesses the necessary qualifications.

As soon as the preference shareholders shall elect directors, the Chairman shall be chosen from the directors so elected.

He will in addition to his vote as a member of the Board, have a second or casting vote.

The General Manager of the Company shall be of German nationality.

He will not be eligible for a seat on the Board. He will be appointed by a three-fourths (3/4) majority vote of the Board.

He may be removed by the same majority. If however his removal is requested by the Commissioner (provided for in Article III below) on account of violation of the Charter of the Company or of failure to comply with the instructions of the Board of Directors, he may be removed by a simple majority vote of the Board.

Whatever decisions may be taken with regard to the operation of the railways, it must be understood that any breaking up of the working of the system into local divisions must not in any event affect the financial and tariff unity of the undertaking.

Article III.

Commissioner.

The Railway Commissioner shall be a person accepted in the railway world as being in the front rank.

He shall be appointed by a majority vote of the foreign members of the Board of Directors.

He shall not be a member of the Board.

He will have an adequate staff of experts in railway matters and in accountancy.

The Commissioner will have a general right of inspection over the whole railway system and all the railway installations and subdivisions, either in person or by deputy.

He shall also be entitled to receive all reports, statistical and financial returns, proposals for extra-routine expenditure whether on "capital" or "revenue" account, for changes in tariffs or for the concession of exceptional rates, and the like, which are of such a nature as would normally require the sanction of the General Manager.

The Railway Commissioner will further be entitled to call for any other reports, returns, or statistics which he may consider necessary in order to enable him to form an independent opinion. All this information shall be furnished promptly, fully, and

accurately at his request. If any measure in connection with construction, operation, or tariffs tends substantially to menace the rights or interests of the bondholders or of the Reparation Commission, as defined below, and in particular to endanger the payment at the due dates, referred to in Article IV below, he shall discuss the question with the General Manager. If he cannot persuade the latter to change his line of conduct, he must lay the question before the Managing Board, in order that it may take any measures it may deem necessary.

If the service of the bonds hereinafter mentioned is in jeopardy, the Commissioner shall have regard to the provisions for the security of the bondholders hereinafter contained.

The expenses of the Railway Commissioner and his staff shall be an operating charge upon the receipts of the railways.

Article IV.

Bonds.

The Company shall forthwith, after its creation, issue without payment and for the purpose of reparation, to a Trustee appointed by the Reparation Commission, first mortgage bonds to a nominal amount of 11 milliard gold marks carrying interest at 3 per cent. per annum for the first financial year of the Company, at 4 per cent. plus a bonus of 25 millions for the second, 5 per cent. for the third and subsequent years, and to be amortised by a sinking fund as hereinafter provided.

Payment of these bonds shall be guaranteed by the German Government and they shall be signed both on behalf of the Company and by the Finance Minister acting on behalf of the German Government.

These bonds shall be secured by a first registered mortgage or charge on the corpus and revenues of all immovable property used by or belonging to the Company present or future, and by a first floating charge on all its fixed and movable plant, rolling stock and all installations. The Company shall be authorised by the concession to create this mortgage and charge, the duration of which shall not be limited to the period of the concession.

This mortgage and this first floating charge shall be expressed to be in favour of the Trustee to be appointed by the Reparation Commission, provided always that the Company and the German Government shall be entitled at any time, with the consent of the Trustee, to sell or dispose of any particular property used by the Railway Company which may be considered to be no longer needed by the latter, upon such terms as to the application of the proceeds of the sale as may be agreed upon by the Trustee.

The service of the bonds shall be assured by the following payments which shall be made to the Trustee from the gross receipts of the Company and before the ascertainment of any net profits; that is to say:—

	Million gold marks
(*a*) for the first financial year of the Company	330
(*b*) for the second financial year	465
(*c*) for the third financial year	550
(*d*) for the fourth and subsequent financial years ..	660

If in any year the German railways fail to realise receipts sufficient to allow of the payments above-mentioned (it being understood that the Company may draw upon whatever reserves may be available for this purpose until such reserves are exhausted), the Railway Commissioner shall have the right to take such action as the Trustee for the bondholders may consider is necessary to protect the rights of the bondholders, including the right to operate, to lease, or to sell all or any of the railways and property subject to the mortgage or charge of the bonds.

From and after the end of the fourth year from the date of the formation of the Company, the bonds shall be amortised, under the conditions to be determined by the Trustee with the approval of the Reparation Commission, by the application in each year of such part of the annual payments above-mentioned as shall not be required for the interest on the bonds.

The German Government and the Company shall also be entitled at any time to pay to the Trustee sums additional to the above payments with the authorisation of the Reparation Commission which shall ascertain from the Transfer Committee that the transfer of these additional funds does not disturb the transfer of the annual payments. Any sums so paid shall be applied first to the discharge of any interest in arrear and next upon six months' public notice in redeeming at par all or any part of the bonds for the time being outstanding.

The Reparation Commission shall be entitled, with a view to the mobilisation of the bonds, to divide the same in any manner which it may think expedient into different classes with different rights—as to priority of charge, rate of interest, repayment of capital and otherwise—against the annual payments to be made by the Company, and to issue to the public upon such terms and generally in such manner as the Commission may think proper, bonds, debentures, debenture stock, certificates of indebtedness or other securities of any nature secured upon the whole or any part of the bonds.

The Company shall not be able to issue other bonds than those referred to above without the authorisation of a three-fourths majority of the members of the Board, of which majority two must be foreigners.

All payments of interest and capital in respect of the bonds shall be free from all German taxation except in so far as the persons entitled thereto may be liable under German law to the payment of German direct taxation.

Subject as herein provided the form of the said bonds and all provisions as to the enforcement and repayment thereof including drawings and giving time for payment shall be settled by the Trustee with the approval of the Reparation Commission.

Article V.

Enforcement of Government guarantees.

If the Company shall at any time make default in meeting the service of the bonds, the Trustee may in lieu of or in addition to the measures mentioned in the last preceding Article present

the accrued coupons or any bonds due for repayment to the Commissioner of Controlled Revenues, who shall pay them at their face value out of the portion of the receipts of the assigned revenues falling to the share of the German Government. The coupons and bonds so paid shall be included at their face value in the repayments made by the Commissioner of Controlled Revenues to the German Government. The amounts so paid may only be repaid by the Company to the Government after the necessary provision has been made for the current and the next coupons on the bonds and for the fixed dividend for the current year on the preference shares.

Article VI.

Transportation tax.

The Company shall on behalf of the Government pay to the Reparation Commission the proceeds of the transportation tax as at present levied, *i.e.*, a tax of 7 per cent. on the gross receipts from all freight traffic other than coal, and a tax of 10 per cent. to 16 per cent. according to class, on the gross receipts from all passenger traffic. This payment shall be made during the second year up to an amount of 250 millions and each of the following years of the concession and until the conclusion of any extension, even if in the course of the concession the whole of the bonds have been paid off, up to an amount of 290 million gold marks.

The rate of the transportation tax shall not be reduced during the whole of the concession. The proceeds of the tax may be employed by the Trustee to secure the issue of a special series of bonds for 3 milliard gold marks, or thereabouts.

Article VII.

Financial arrangements.

The bank account shall be kept at the new Bank. Payments by the Company hereinbefore prescribed shall be paid to the account of the Railway Commissioner. The latter shall transfer these sums to the credit of the Agent for Reparation Payments.

Article VIII.

Anticipatory redemption of bonds.

If all the first mortgage bonds should be redeemed before the expiration of the term of the concession by special subsidy by the German Government to the Company, the Government shall be entitled to require that the functions of the Railway Commissioner hereinbefore mentioned shall come to an end and that the foreign directors shall be replaced by German directors. In default of other arrangements, the transportation tax shall continue to be paid to the Reparation Commission.

The German Government shall in that case also have the right to purchase or repurchase the preference shares at par, plus dividend and arrears of dividend if accrued.

Article IX.

Organisation Committee.

A temporary Committee with the title of the "Organisation Committee of the German Railway Company" shall be constituted in order to work out, subject to the foregoing provisions, the details necessary for the creation of the German Railway Company and the execution of this plan. The Committee shall consist of two delegates appointed by the German Minister of Railways, the railway specialists, Sir William Acworth and M. Leverve, who are familiar with the discussions which have led to the adoption of this scheme, or a nominee or nominees to be appointed by them jointly together with a fifth member of neutral nationality to be chosen by the four thus appointed or, in default of such choice, to be appointed by the Reparation Commission.

This Organisation Committee will come to an end as soon as may be after the Railway Company has been constituted, the Railway Commissioner appointed and this plan has been put into operation. The expenses of the Committee and of their staff shall be an operating charge upon the receipts of the German railways.

Article X.

Arbitration.

The law to be enacted by the German Parliament shall provide that so long as the functions of the Railway Commissioner hereinbefore mentioned shall not have come to an end, if any dispute or difference should arise between the Reparation Commission or any Government represented thereon, on the one side, and the Company and the German Government, or either of them, on the other side, or between the Company and the German Government, as to the interpretation of any provision of the said law, or of the charter of the Company, or of this plan, or as to anything to be done under any of them respectively, whether in respect of the capital and obligations of the Company or of its external, or internal management, or otherwise howsoever, the same shall be referred to the decision of an arbitrator who, if the German Government so desires, shall be of neutral nationality to be nominated by the President for the time being of the Permanent Court of International Justice, and the decision of the arbitrator so appointed shall be final.

Annex 5.

Industrial Debentures.

The amount and form.

I. The German Government shall provide bonds or debentures of industrial concerns to a total nominal value of five (5) milliards of gold marks, bearing five per cent. (5%) interest and one per cent. (1%) for sinking fund per annum. These bonds shall be the individual obligations of the several concerns and shall be secured

as to principal, interest, and sinking fund payments by a first mortgage on the plant and property of the respective concerns making them.

The term "industrial concerns" shall include not only manufacturing concerns, but navigation, mining and any other similar concerns which the Organisation Committee may indicate.

Delivery to Trustee.

II. The mortgage bonds or debentures above provided for, with suitable coupons covering the interest payments, shall be delivered by the German Government to the Trustee to be appointed by the Reparation Commission, who will hold them, collect the coupons thereon, paying the proceeds into the account of the Agent for Reparation Payments, or dispose of them in whole or in part from time to time under the orders of the Reparation Commission. The debtor may make proposals to the Trustee for their immediate or gradual redemption, and the Committee recommends that the Trustee be empowered to give preference to such proposals of redemption and especially those of which the redemption would be effected by the use of foreign currencies, before offering such bonds in the open market or otherwise. In the event that no proposals of a satisfactory plan of redemption are made to the Trustee by any individual maker of the bonds within six months after such bonds shall have been delivered to him by the German Government, then the Trustee in his discretion but with due regard to the protection of the credit of the debtor, shall be free to dispose of the same in such manner and on such terms as the Reparation Commission may authorise.

Guarantee by German Government.

III. The German Government shall guarantee the principal, interest and sinking fund payments on such bonds; in consequence, in case of default the matured coupons can be presented to the Commissioner of Controlled Revenues, who shall purchase them at their nominal value, by means of the funds under his control which are destined to be paid over to the German Government. The Commissioner will include the coupons for their nominal value in the "reversements" to the German Government, which will have recourse against the defaulting debtor.

The German Government might, by means of subsidies, encourage the re-purchase of the bonds by the mortgagors and thus free itself from its guarantee.

Tax-exemption provision.

IV. The said bonds and mortgages until redeemed shall be exempt from taxation in Germany, unless they shall be held by German nationals, in which case they shall be taxed like other similar bonds and mortgages so held by German nationals and without discrimination.

Temporary Organisation Committee.

V. A temporary Organisation Committee shall be formed for the purpose of taking all necessary measures within the scope of

the foregoing plan and for fixing the details of organisation. This Committee shall include a representative of the German Government, a representative of industry, two members appointed by the Reparation Commission and a fifth member of neutral nationality to be chosen by the four thus appointed, or in default of such choice to be appointed by the Reparation Commission.

Powers of the Organisation Committee.

VI. (A) The Organisation Committee shall have all powers to work out the details of the plan in such form as may be fair alike to the German Government, to the industrial concerns and to the Reparation Commission, bearing in mind that it is the purpose and intent of the plan to ensure for reparations account the payment of the 5 milliards of gold marks with interest thereon at 5 per cent. per annum and a sinking fund of not less than 1 per cent. thereon, which in and of itself will determine the maturity of the bonds.

(B) The Organisation Committee shall have the power to determine the form and character of the mortgages, and, in case the concerns are too small to make individual mortgage issues practical and desirable, the Committee shall have power to devise some method of handling them, or may waive them altogether, provided the total sum of 5 milliards is maintained.

Annex 6.

The Transfer of Reparation Payments from German Currency into Foreign Currency and the Use of Balances not Transferred.

Transfer Committee.

I. The plan provides that all payments for the account of reparations, however derived, are to be first made in the form of deposits in the bank, provided for in the plan, to the credit of "The Agent for Reparation Payments." The withdrawals from this deposit shall be made by the Agent for Reparation Payments only, under the direction of a Committee composed of six members known as "The Transfer Committee."

Composition and selection of members.

II. The Transfer Committee shall be composed of six members; the Agent for Reparation Payments shall be a member and the Chairman; the other five members shall be persons qualified to deal with foreign exchange questions. They shall consist of an American member, a French member, an English member, an Italian member and a Belgian member. Each of them shall be appointed by the Reparation Commission, after the member of the General Board of the Bank of the same nationality has been consulted.

Co-operation of the Bank.

III. The Committee will be in contact with the President and the Commissioner of the Bank.

Powers of the Committee.

IV. The Committee shall have power, and it shall be its duty:

(*a*) to apply such bank balances for payments for deliveries in kind and payments under the Reparation Recovery Act, in accordance with the programme established periodically by the Reparation Commission, after consultation with the Transfer Committee as to the character and amount of such deliveries;

(*b*) to convert these bank balances into foreign currencies from time to time and, after conversion, to remit them in accordance with the instructions of the Reparation Commission.

Both the foregoing powers (*a*) and (*b*) to be exercised to the extent to which in the judgment of the Committee, the foreign exchange market will permit, without threatening the stability of the German currency.

(*c*) to invest from time to time in bonds or other loans in Germany such amounts as the Committee may deem wise. The Committee shall proceed to make these investments as soon as the amount of the credits exceeds the sum which the Bank will keep on deposit. On the other hand, the Committee may sell the bonds which it has acquired, or liquidate the loans which it has granted, whenever in its opinion the sums may be converted into foreign exchange, or the Bank can accept additional deposits.

Restriction on purchase by the creditors.

V. The goods supplied by Germany to the creditor countries under paragraph IV (*a*) above and paid for by the Bank as above provided, shall be for the sole use of the countries receiving them for their internal requirements, including the requirements of their colonies and dependencies. The goods so delivered shall not be exported from the country receiving them, except by agreement between the Committee acting unanimously and the German Government.

VI. In addition to its powers under paragraph IV, the Committee may on the instructions of the Reparation Commission and at the request of the creditor States, by debiting their accounts, transfer marks to private individuals for the purpose of making purchases in Germany, such reinvestment not to be of a temporary character, and such property being of classes contained in a schedule agreed to between the Committee and the German Government, and modified from time to time by similar agreement. In arriving at such agreement, the German Government shall be required to have due regard to the necessity for making maximum payment to its creditors, but it shall also be entitled to have regard to maintaining its control of its own internal economy.

Co-operation by the German Government and the Bank.

VII. The German Government and the Bank shall undertake to facilitate in every reasonable way within their power the work of the Committee in making transfers of funds, including such steps as will aid in the control of foreign exchange. When the Committee is of the opinion that the Bank's discount rate is not in relation to the necessity of making important transfers, it shall inform the President of the Bank.

Attempts to defeat transfer.

VIII. In the event of concerted financial manœuvres either by the Government or by any group, for the purpose of preventing such transfers, the Committee may take such action as may be necessary to defeat such manœuvres; and in such circumstances it may suspend the operation of paragraph X, may accumulate the funds or employ them in the purchase of any kind of property in Germany.

Tax-exemption provision.

IX. The German Government shall not tax the deposits in the Bank or goods purchased for the creditor countries pending removal, nor any securities or loans representing investment of funds pending transfer, nor any property purchased under the provisions of the paragraph next preceding. This exemption does not apply to property purchased under paragraph VI, but on the other hand, there should be no tax discrimination against such property.

Provisions for limitation of accumulation.

X.—(*a*) When the accumulation of funds not transferable under the provisions of sub-divisions (*a*) and (*b*) of paragraph IV shall have reached the sum of five (5) milliard gold marks (whether represented by bank deposits or loans) the payment for Treaty charges provided for shall be reduced to such an amount as will cover the transfers and payments provided for under sub-divisions (*b*) and (*c*) of paragraph IV without additional accumulation. Such partial suspense of Germany's obligations shall be operative only during the period that the conditions of transfer necessitate, and the standards of payment laid down in the plan shall be resumed at any time when they can operate without the limits of accumulation herein laid down being exceeded.

(*b*) The Committee shall have power to suspend accumulation before reaching five (5) milliard gold marks, if two-thirds (2/3) of its members are of the opinion that such accumulation is a menace to the fiscal or economic situation in Germany or to the interests of the creditor countries.

(*c*) The Committee shall, by a two-thirds (2/3) majority, have power to waive the limit accumulations under the conditions provided for in paragraph VIII.

Annex 7.

Note on the Currencies circulating in Germany on January 31, 1924[1].

Chapter I.

Paper mark currency.

A. Legal tender.

1. *Reichsmarks.*—Reichsmarks are issued by the Reichsbank under a privilege granted to it by the Banking Law of March 14, 1875. In 1913, the circulation of paper marks amounted to

[1] In the English text of this document the English system of enumeration is followed throughout.

2.1 milliards; on January 31, 1924, it had reached the figure of 483.7 trillion (English) paper marks representing 843.7 million gold marks at the rate of 1 gold mark = 1 billion paper marks.

2. *Notes of private banks.*—Banks, which at the time of the promulgation of the Law of March 14, 1875, had the right to issue notes, have retained this privilege. The number of these banks, which was originally 32, has decreased progressively; at the present time there are only four private banks, namely:

Bayerische Bank,
Sächsische Bank,
Badische Bank,
Württembergische Notenbank.

The total circulation of notes issued by these four institutions amounted in 1913 to 140 million gold marks. At the end of January, 1924, it represented about 100,000 gold marks.

3. *Reichskassenscheine.*—These currency notes were issued at the time of the formation of the Reichsbank (1875) in order to make it possible to place the fiduciary circulation on a sound basis by means of the withdrawal of the State notes then in circulation. The issue was originally fixed at 120 million gold marks, corresponding exactly to the war treasure (in gold) deposited at Spandau. The circulation, which reached the figure of 320 millions in 1920 progressively decreased until August, 1923, when it still amounted to 200 million gold marks. At that date the Reichskassenscheine in circulation were completely withdrawn.

4. *Darlehenskassenscheine.*—(Bonds issued by the Darlehenskassen during the war.) The issue reached its maximum figure in October, 1922 (14 milliard paper marks); these bonds ceased to figure in the statements as from August, 1923, when the circulation amounted to only 11 milliard paper marks, corresponding to less than 10,000 gold marks.

B. Auxiliary instruments of payment.

1. *Issue of secured Notgeld.*—The issue of Notgeld (emergency currency) was regulated by the Law of July 17, 1922. This currency was issued with a view to supplementing that issued by the Reich, the Reichsbank and the private banks of issue, the total value of which in circulation was constantly decreasing as a result of the fall of the mark. The previous authorisation of the Minister of Finance was necessary. The Notgeld was to be secured by a deposit in fixed values, earmarked in favour of the Reich Minister of Finance, and corresponding to the amount placed in circulation, less the actual or estimated expenses of issue. This asset was to remain at the Reichskreditanstalt at Berlin, which would allow interest at 2 per cent. less than the rate of discount of the Reichsbank. The cover for the Notgeld might also consist of three months Treasury Bonds; but in this case, it was the Reichsbank which would issue the Notgeld and accept the deposit in Treasury Bonds offered as guarantee.

Authorisation to issue Notgeld was granted to public and private organisations for a total figure, which at the end of 1923 amounted

to 7.6 trillion paper marks, corresponding to 7.6 million gold marks. The circulation of this Notgeld amounted on December 31, 1923, to 3.4 trillion paper marks, that is, 3.4 million gold marks. An endeavour has since been made to withdraw the Notgeld from circulation: a decree of January 2, 1924, prescribed the complete withdrawal in certain unoccupied territories. On January 31, 1924, the circulation amounted to 1.4 trillion paper marks, or 1.4 million gold marks.

2. *Issue of unsecured Notgeld.*—Numerous emergency currencies have been issued without authorisation from the German Government, and without the formation of a guarantee deposit, both by public and private organisations and even by private individuals.

The amount of this Notgeld issued without authorisation or guarantee and in circulation at the end of January, 1924, is estimated by the German Government as follows:—

	Million gold marks
(*a*) In unoccupied territory	27.6
(*b*) In occupied territory	132

3. *Railway Notgeld.*—In order to cover the working deficit, the Reich railways issued 114 trillion paper marks during 1922 and 1923. This currency was secured by a Reich deposit at the Reichsbank of 90 million Rentenmarks. At the end of January, 1924, 56 millions were still circulation.

Chapter II.

Instruments of payment in gold or at a fixed value.

1. *Rentenmark.*—The Rentenbank was created by the Decree of October 15, 1923. The method of creation and operation is known.

The issue of notes in Rentenmarks began on November 15, 1923.

According to the balance-sheet of the Rentenbank on January 31, 1923, the amount issued at that date was 1,374 million Rentenmarks.

The introduction of the Rentenmark has stopped the issue of Notgeld of fixed value.

2. *Dollar Treasury Bonds (Dollarschatzanweisungen).*—The Law of March 2, 1923, authorised the issue of Dollar Treasury Bonds for a total amount of 50 million dollars (210 million gold marks). These Bonds, issued in denominations of from 5 to 100 dollars, do not bear interest, but are redeemable in gold at 120 per cent. on April 15, 1926.

These Treasury Bonds have been fully subscribed. They have been used in Germany as a means of payment.

3. *Gold Loan (Wertbeständige Anleihe).*—This loan authorised by the Law of August 14, 1923, is for a total sum of 500 million gold marks, which has been fully subscribed. The bonds are expressed in dollars. The small denominations of from 1/10th to 5 dollars do not bear interest and are redeemable at 170 per cent. on September 2, 1935. Bonds for 10 dollars or more bear 6 per

cent. interest and are redeemable at par on the same date. These large denominations were issued first for a total sum of 164 million gold marks. Subsequent issues of large denominations raised this figure to 204 million gold marks.

In October, 1923, the monetary situation having become intolerable on account of the fall of the paper mark, and wage earners having insisted upon being paid in currency of fixed value, the Reich decided (the preparations for the issue of the Rentenmark not being sufficiently advanced) to issue small denominations of the gold loan.

These small denominations were issued up to a total amount of 296 million gold marks, 4 millions of which were exchanged against Rentenmarks in January, 1924, in accordance with the privilege granted to the holders in this respect.

As will be seen later, 10 millions of this gold loan have been assigned as partial security for the Notgeld of a fixed value issued by the Railways.

At the end of January, 1924, therefore, the circulation was as follows:

	Million gold marks
Large notes	194
Small notes	292
Total	486

4. *Notgeld secured by 6 per cent. Treasury Bonds (6 per cent. Schatzanweisungen).*—Since the small gold loan certificates proved insufficient for the monetary circulation, the provinces, towns, chambers of commerce and the larger industrial undertakings were given authority to create emergency currency on a gold mark basis, to be covered by gold loan certificates of large denominations. Owing to the scarcity of the latter, the authorities issuing Notgeld were given permission to provide cover in the form of 6 per cent. Treasury Bonds expressed in dollars and gold marks, specially created for this purpose by the decree of October 20, 1923. These Bonds fall due on December 1, 1932, and are redeemable at par in German currency on a gold basis.

The total amount of Notgeld thus secured (exclusive of the Notgeld issued by the railways and to which we will refer later) stood at 110 million gold marks on January 31, 1924.

This Notgeld is to be gradually withdrawn from circulation against redemption in loan bonds or German currency. Redemption was to begin on January 15, 1924, and it is hoped that the full amount will have been called in not later than April 1, 1924.

5. *Treasury Bonds and Interim Bonds issued by the States.*—Certain States issued fixed value loans, some of the certificates for which were of such small denominations that they still serve as instruments of payment. The total value of these bonds amounts to about 50 million gold marks. Attempts are being made to recall these small denominations by converting them into larger denominations.

6. *Certificates issued by the banks of Hamburg and Schleswig-Holstein.*—Two banks, the Hamburger Bank von 1923 A. G. and the Schleswig-Holsteinische Goldgirobank A. G. were authorised,

by the Reich Minister of Finance to deliver, in exchange for currencies "discount certificates" (Verrechnungsscheine) which still serve as instruments of payment. It is the intention of the German Government to dispense with these gold certificates as soon as a gold currency has been reinstated. The Hamburger Bank issued certificates to the amount of 25 million gold marks. No particulars are available regarding the amount issued by the Schleswig-Holsteinische Goldgirobank but the figure is inconsiderable.

7. *Notgeld issued by the railways.*—In order to cover their deficit, the German railways were authorised to issue, in addition to the paper mark Notgeld referred to above, Notgeld having stable value to the amount of 200 million gold marks. Ten millions of this issue were secured by gold loan bonds as explained above, the remaining 190 millions being secured by 6 per cent. Treasury Bonds as already stated. The Notgeld issued by the railways amounted to 131.9 millions on January 31st, 1924. This emergency currency is to be withdrawn from circulation by means of a loan to be issued later by the railways.

Table of Instruments of Payment in Circulation in Germany in January, 1924.

	Approximate value [1] in millions of gold marks	
I. *Instruments of payment expressed in paper marks:*		
(1) Reichsbank notes (as per return dated 31. 1. 24)	483.7	
(2) Notes of the four private banks of issue	0.1	
(3) Notgeld issued by the railways and secured by a deposit of 90 million Rentenmarks at the Reichsbank	56.0	
(4) Notgeld issued against the deposit of security in currencies	1.4	
(5) Notgeld issued without cover:		
(*a*) In occupied territory	132.0	
(*b*) In unoccupied territory	27.6	
Total I		700.8
II. *Instruments of payment expressed in gold or having fixed value:*		
(1) Rentenmarks (as per Rentenbank return of 31. 1. 24)	1,374.0	
(2) Dollar Treasury Bonds (Dollarschatzanweisungen, law of 2nd March, 1923)	210.0	
(3) Gold Loan (Wertbeständige Anleihe, law of August 14, 1923)	486.0	
(4) Notgeld secured by 6 per cent. Treasury Bonds (6 per cent. Schatzanweisungen, law of 20 October, 1923)	110.0	
(5) Treasury Bonds and Interim Bonds issued by the States	50.0	

[1] Calculated on the basis of 1 G.M. = 1 billion P.M.

(6) Certificates issued by the Banks of Hamburg and Schleswig-Holstein (Verrechnungsscheine)	35.0	
(7) Notgeld issued by the railways and secured by 6 per cent. Treasury Bonds (10 millions of which are secured by gold loan)	131.9	
Total II		2,396.9
III. *Denominational currency in Rentenpfennigs*		158.0
Grand Total		3,255.7

Note.—This total does not include the foreign currencies at present in Germany which, according to the estimate made by the second Committee of Experts would amount to 1,200 million gold marks, a figure which has been confirmed by a German authoritative source.

Annex 8.

Provisional Survey of the Reich's Budget for 1924[1].

Revenue	In millions of			Expenditure	In millions of		
	Gold Marks	£	$		Gold Marks	£	$
I.—General Administration of the Reich.							
A. Ordinary Budget.							
1. Taxes on property, traffic, trade and transfer (direct taxes).....	4,004	200.2	1,001.0	1. Interest on, and amortisat. of debt of Empire	156	7.8	39.0
2. Custom and excise duties (indirect taxes)	1,080	54.0	270.0	2. Provision for invalids, war pensions, etc.	810	40.5	202.5
3. Non-tax Revenues from Public Services.....	60	3.0	15.0	3. Army and Navy.....	450	22.5	112.5
				4. Police.....	208	10.4	52.0
				5. Industrial and cultural purposes	28	1.4	7.0
				6. Unemployment benefit	500	25.0	125.0
				7. Social and other expenditure	360	18.0	90.0
				8. Finance and Taxation Departments.....	380	19.0	95.0
				9. General administrative expenses other than the above	250	12.5	62.5
				10. Assignments to the States and communes	1,800	90.0	450.0
Total of ordinary revenues	5,144	257.2	1,286.0	Total of ordinary expenditure	4,942	247.1	1,235.5

[1] The figures of this table can only serve as a preliminary estimate and are given with all reserve. This estimate of the revenues assumes complete restoration of economic unity between occupied and unoccupied territory, renewed administrative and fiscal supremacy in occupied territory on the part of the Reich and the component States, that the taxes to be levied according to the general laws of the Reich and the States are once more directed into their Treasuries.

Revenue	In millions of Gold-Marks	£	$	Expenditure	In millions of Gold-Marks	£	$
B. Extraordinary Budget.							
1. Revenue from the Mint	90	4.5	22.5	1. For war damages and removal of effects of the war	6	0.3	1.5
2. Other revenues	40	2.0	10.0	2. Public buildings	44	2.2	11.0
				3. Settlement of war expenditure	20	1.0	5.0
				4. Settlement of expenditure for the Ruhr	60	3.0	55.0
Total of extraordinary revenues	130	6.5	32.5	Total of extraordinary expenditure	130	6.5	32.5
Total of A and B	5,274	263.7	1,318.5	Total of A and B	5,072	253.6	1,268.0
II.—Execution of the Treaty of Versailles.							
				1. Cash Rep. Payments (Discharge of debt due to the Reichsbank for redemption of an exchequer bill given to Belgium)	52	2.6	13.0
				2. Clearing Office payments	6	0.3	1.5
				3. Cost of Armies of Occupation	360	18.0	90.0
				4. Rhineland Commission	34	1.7	8.5
				5. Other Inter-Allied Commissions including Reparation Commission	18	0.9	4.5
				6. Restitution, substitutions and dismantlement costs	10	0.5	2.5
				7. Home expenditure incurred by the carrying out of the T. of V.	160	8.0	40.0
				Total of expenditure	640	32.0	160.0
Balance.							
I. General Administration of the Reich					5,072	253.6	1,268.0
II. Execution of the Treaty of Versailles					640	32.0	160.0
Total of expenditure					5,712	285.6	1,428.0
Revenues					5,274	263.7	1,318.5
Deficit					*438*	*21.9*	*109.5*

Annex 9.

Comparative Position of Different Incomes drawn from Dividends in the Years 1920-21, 1923-24 and 1924-25.

Question submitted to the German Government by the First Committee of Experts.

Assume four men with incomes in gold marks of

15,000
100,000
500,000
1,000,000

(*a*) Wholly from dividends of German industrial companies;
(*b*) One half from German and one half from foreign companies.

What amount of income tax (or its substitutes) plus capital tax will be payable on the scales for

1920/1
1923/4
1924/5 respectively ?

Reply of the German Government.

For the following reasons it is impossible to make reliable estimates of the kind desired:

(1) because the fiscal burden for 1920-21 cannot be calculated owing to the influence of the depreciation of the currency;

(2) because no assessment exists for 1923 based on sliding scale rates for that year; indeed for 1923 prepayments and payments of balance were collected which were regularly calculated on a coefficient of the 1922 taxes and were therefore not entirely immune from the influence of the depreciation of the currency;

(3) because no income tax levied on a sliding scale exists so far for 1924; the prepayments for 1924 are collected more according to external standards; the actual income for 1924 will not be assessed until 1925, when it will be based upon a tariff which will be determined by law in the course of the year 1924.

Particulars concerning the form of the taxes will be found in the memorandum transmitted (see for 1920-21, the English text pages 81, 96, French text pages 81, 97; for 1923-24, English text pages 83-84, 96, French text pages 84, 97). Reference should be made to the Statement concerning the Budget estimates of the Wages Tax and the prepayments on the Income and Corporation Taxes for 1924 transmitted as V a II 1480, of February 16, 1924.

It should further be pointed out that income from dividends to the amount mentioned existed in Germany before the war to a limited extent only and is unlikely to be found after 1922, owing to economic developments during the period of depreciation of the currency.

As early as 1920, there were only six taxpayers in Germany who had an income from investments of from 3 to 10 million paper marks, that is, from 200,000 to 667,000 gold marks, and 66 with an income from investments of from 1 to 3 million paper marks, that is about 67,000 to 200,000 gold marks. From about the middle of 1922 income from investments had practically disappeared.

In view of the circumstances mentioned above, any estimates are attended with exceptional difficulties. An attempt is made below to employ available bases for valuation as required in the Questionnaire.

The estimates given in the enclosed Table showing the charge on incomes from dividends of 50,000, 100,000, 500,000 and 1 million gold marks fulfil the conditions set forth in the Questionnaire:

(*a*) that the whole income is drawn from dividends of German industrial companies;

(*b*) that half the income is drawn from German and half from foreign industrial companies.

It was necessary in drawing up this table to include in the calculation of the charges on income derived from dividends of German industrial companies, the taxes which had to be paid by the German companies if they distributed dividends to the amounts in question; it must not be forgotten that this tax is deducted before the distribution of the dividends. In converting the income in gold into paper marks and the taxes in paper marks into gold marks, the rate of the dollar has been used as the basis. This was possible because the income is indicated in gold and therefore the calculation of the tax at the dollar rate affords a basis for comparison.

In making the calculation the following assumptions have been made:

I. *For* 1920-21.—The dividend has been paid to the taxpayer in 1920. The tax paid by the company has first been deducted from the profits which the company made in 1919 and on which it paid the tax in 1920. A further prior charge consists of the 10 per cent. tax on revenue from capital which was deducted from the German dividends of the taxpayer at the time of their receipt in 1920 and which he paid in 1921 for his foreign dividends. From the remaining revenue, after deduction of the tax on revenue from capital, the taxpayer has paid his income tax for 1920 according to schedule. In estimating the actual fiscal burden, account has been taken of the fact that the income was obtained in the year 1920, that the corporation tax and the tax on revenue from capital were paid at the time of receiving the dividends, that is also in 1920, and that on the other hand the tax on revenue from capital in respect of foreign dividends and the income tax were not paid until 1921, and were therefore paid in a depreciated currency. On the basis of the average dollar rate, one gold mark was in 1920 equivalent to 15 paper marks, and in 1921 to 24.9 paper marks.

Example 1.—Let us assume the income from dividends in German companies in 1920 to be 50,000 gold marks = 750,000 paper marks. Before distributing 750,000 paper marks, a company in 1920 had to pay an average tax of 127,500 paper marks. The

750,000 paper marks due to the person receiving dividend were, upon receipt, reduced by 10 per cent., that is by 75,000 paper marks. In 1920 therefore 202,500 paper marks were paid in taxes = 13,500 gold marks. From the remaining 675,000 paper marks he had to pay the sum of 356,600 paper marks in income tax = 14,321 gold marks in 1921. The total charge was therefore 27,821 gold marks.

Example 2.—Let us assume the income from dividends in German companies, in 1920, to be 25,000 gold marks = 375,000 paper marks and from foreign companies 25,000 gold marks, making a total of 50,000 gold marks = 750,000 paper marks. Before distributing 375,000 paper marks, German companies had in 1920 to pay an average tax of 63,750 paper marks = 4,250 gold marks. The 375,000 paper marks in German dividends due to the recipient were, upon receipt, reduced by 10 per cent., that is by 37,500 paper marks = 2,500 gold marks.

In 1920, therefore, 6,750 gold marks were paid in taxes. In 1921 the person drawing dividends had in the first place to pay a 10 per cent. tax on revenue from capital on the 375,000 paper marks that is 37,500 paper marks = 1,506 gold marks. Furthermore, after deduction of the tax on revenue from capital, he had to pay on the remaining 675,000 paper marks an income tax of 356,600 paper marks = 14,321 gold marks. In this case the 1921 taxes thus amount to 15,827 gold marks. Including the 1920 taxes the total charge is therefore 22,577 gold marks.

II. *For* 1923-24.—It is assumed that the dividends for 1923 have been distributed to the shareholders. In the total prior charge the tax on fortunes has not been taken into account. Only the corporation tax which under the Law of March 20, 1923, on the Depreciation of Currency was paid by the company for the business year 1922, which year was taken as the basis for the distribution of dividends, has been indicated as the prior charge. On the basis of the tariff the prior charge amounted to 45 per cent. Owing however to the great depreciation of currency in 1923, the gold value on the date of payment was insignificant. The prior charge has been indicated therefore at only 3 per cent., since the dollar rate at the time of the payment of the tax, that is on April 25, amounted to 29,200, namely about fifteen times the average dollar rate for 1922 (1885.78). In many cases, owing to delay in closing the balance sheet and to the consequent delay in paying the taxes the prior charge was, as a result of the rapid depreciation of currency, much less than 3 per cent. In the case of the person receiving dividends the tax indicated is that which he had to pay as increased prepayments and payment of balance for 1923.

Since there was no proper assessment for income tax on a sliding scale for 1923, the payments of balance for 1923 have been determined according to the taxpayer's capacity to pay on the basis of his gold mark payments in 1923, and in certain cases on the basis of a lavish expenditure.

If, on the basis of the material at its disposal the Finance Office can assume that the taxpayer had a gold mark income of 50,000 or 100,000 marks, a charge of at least 25 per cent. may be allowed for.

If there are really cases of still higher incomes, a charge of 35 per cent. on 500,000 gold marks and of 40 per cent. on 1,000,000 gold marks will be paid. The total charge therefore amounts to 28 per cent. in the case of incomes of 50,000 and 100,000 gold marks derived from dividends paid by German companies; if half of the income is derived from foreign companies half of the prior charge constituted by the corporation tax does not come into consideration and the total charge therefore amounts to 26½ per cent. For incomes of 500,000 gold marks the total charge represents 38 per cent. or 36½ per cent., for 1,000,000 gold marks 43 per cent. or 41½ per cent.

III. *For* 1924-25.—It is assumed that the dividend for 1924 is distributed to the shareholders. The prior charge indicated is the tax which the company has paid as corporation tax prepayments and payment of balance for 1923.

The example of 50,000 gold marks has been calculated as follows: 1 gold mark was 449 paper marks according to the average rates of exchange of the dollar for 1922. 50,000 gold marks therefore equal 22,450,000 paper marks.

First prepayment (under the Currency Depreciation Law of March 20, 1923) 20 per cent. = 4,490,000 paper marks, paid on May 25 (1 gold mark = 12,190 paper marks) = 369 gold marks.

Second prepayment (under the Law for Increases of July 9-August 11, 1923), 600 times 10 per cent. = 1,347 million paper marks, paid on August 25 (value of the gold mark = 1,120.000) = 1,203 gold marks.

Payment of balance on January 10, 1924 (under Article 1, § 2, of the Second fiscal emergency Decree) 0.60 gold marks on each 1,000 marks of the 1922 fiscal debt; the 1922 fiscal debt in respect of dividends amounted to 45 per cent. of the sum of 22,450,000 paper marks indicated above, that is, to 10,102,500 paper marks. Consequently the final payment of 0.6 per thousand in gold = 6,061 gold marks. The total prior charge therefore amounts to 7,633 gold marks.

In the case of the person receiving the dividend, the only payments demanded are those to be paid as income tax prepayments and as tax on fortunes in 1924. 10 per cent. only is first deducted at the source from the revenue from investments as income tax prepayment; this is therefore 5,000 gold marks on 50,000 gold marks. For the tax on fortunes it is assumed that the dividends paid by German companies average 1 per cent. of the quoted value; even this computation must, however, be too high for a great many German companies at the present time.

In the case of foreign companies it is assumed that the dividends amount to 5 per cent. of the quoted value of the share. 50,000 marks in dividends from German companies therefore represent a quoted value of 5 million marks.

For the shareholders' payments in respect of the tax on fortunes this is valued at only half the quoted value, that is, 2½ million marks, since the company itself has to pay a tax on fortunes for which the fortune is assumed to be at least the total quoted value of the shares.

On a total fortune of 2½ million marks the tax on fortunes amounts to 17,500 marks. The provisional charge on an income of 50,000 marks from dividends from German companies is therefore as follows :

	Gold marks
Tax on corporations	7,633
Deduction at the source from revenue from investments	5,000
Tax on fortunes	17,500
Total	30,133

If half the dividends come from a foreign company, the charge in respect of the tax on capital is as follows :

25,000 marks from German companies. Quoted value 2½ millions (1 per cent. interest), half of which is counted, that is, 1,250,000 marks.

25,000 marks from foreign companies. Quoted value 500,000 marks (5 per cent. interest) counted in full, since the company does not pay the tax on fortunes in Germany.

The quoted value used for the tax on fortunes is therefore 1,750,000 marks and the sum paid in respect of the tax 11,375 marks.

As half of the dividends come from foreign companies, the deduction at the source on half the revenue from investments in this case also provisionally does not come into consideration. The Finance Office, is, however, entitled to collect prepayments from the taxpayer with due consideration to his requirements. No sum is, however, included in the enclosed table on this account; for, as explained above, the calculations for 1924/25 constitute only provisional tax payments, which represent prepayments on the definitive income tax for 1924. For the 1924 income, the taxpayer will still be assessed at the beginning of 1925 and he will then have to make considerable post-payments, which are correspondingly higher in the case of income from foreign dividends from which no deduction at the source has been made in Germany. No sum could be included for post-payments, as the necessary regulations must first be enacted by law during the course of 1924 (in particular the rates of taxation).

Income in Gold Marks	Definitive Charge		Charge in respect of corporation tax and tax on fortunes; *non-recurrent* charge in respect of income tax prepayments 1924-25
	Corporation tax, tax on revenue from capital, income tax 1920-21	Corporation tax, income tax 1923—24	
50,000[1]	27,821	14,000	30,133
50,000[2]	22,577	13,250	17,691
100,000[1]	57,586	28,000	60.266
100,000[2]	47,098	26,500	37.133
500,000[1]	295,707	190,000	313,830
500,000[2]	243,267	182,500	194,415
1,000.000[1]	593.357	430,000	627,660
1,000,000[2]	488,477	415,000	388,830

[1] German companies.

[2] Half from German and half from foreign companies.

5. Report of the Second Committee of Experts.

(1) Covering Letter.

Dear Mr. Chairman,

I have the honour to present the unanimous Report of the Committee appointed by the Reparation Commission to enquire into the amount of German exported capital and to consider the means of bringing it back to Germany.

In laying before you the result of our labours may I be permitted in the name of the Committee to express the hope that our work may assist in solving the problems involved in the execution of the Treaty of Peace.

I remain,

Yours faithfully,

(Signed) R. McKENNA.

The Chairman, Reparation Commission.

(2) Report.

In pursuance of a decision of the Reparation Commission of the 30th November, 1923, we were created a Committee to consider the means of estimating the amount of German exported capital and of bringing it back to Germany. We were convened in Paris on the 21st January, 1924, and we have held altogether thirty-eight meetings, first in Paris, then in Berlin, and finally again in Paris. We have examined numerous witnesses and have availed ourselves of the services of trained economists, technical advisers and expert accountants. We have also studied the published works on the subject by well-known economists, and each member of the Committee has furnished reports on particular problems.

Our estimates relate to the 31st December, 1923. Later events may, of course, have either increased or decreased the amount of German capital abroad.

In our investigation of the amount of capital owned by Germans in foreign countries, we were confronted by very considerable difficulties. There are many ways by which Germans can acquire capital abroad but in most cases no precise figures can be given. It is nearly always a matter of estimate, and the utmost we could hope to do with any degree of certainty was to lay down limits between which the actual amount is to be found. The distance which divides these limits marks the want of precision of the material at our disposal.

One method of investigation, to institute an enquiry through bankers and business men in those countries in which German capital is believed to be deposited or invested, was rejected by us at the outset. We have availed ourselves of all information of a public or official character supplied from countries outside Germany, but we were of opinion that it would be neither proper nor useful to request the disclosure of specific transactions which in general would have been entered into under an implied con-

dition of secrecy. Moreover we felt that even though all obtainable information were freely given to us, it must be extremely defective, as much German capital in foreign countries is certain in existing circumstances to be hidden in various ways under assumed names.

The method we have adopted is altogether different. Our first step was to form an estimate of the total value of German capital abroad at the outbreak of war.

Next we considered what was the net reduction in this total at the time of the Armistice. We took into account on one side the balance of trade, advances by Germany to her Allies, loss by seizure and sequestration of property confirmed by the Versailles Treaty, and loss through depreciation of the value of property and securities. On the other side we considered the sales of German securities, the sales of gold, the accumulation of interest, and finally the effect on the trade balance of the imports into Germany from occupied territories. These imports were commodities either requisitioned without payment, or paid for, in the case of Belgium and Poland, largely by marks which remained in the country, and, in Roumania and occupied France, as well as in Belgium and Poland, by local currencies which the German Government caused to be printed and issued for the purpose.

Finally, starting from the basis of the remaining pre-war German assets, we examined in detail the various means by which Germans can have increased or diminished their capital abroad during the period from the Armistice to the close of the year 1923. The reliability of our final estimate depends upon the completeness of our examination of the different elements which make up the total of German foreign acquisitions and of the various ways in which such acquisitions may have been expended.

The chief method by which Germans have acquired foreign assets since the Armistice has been by the sale of mark bank balances. Our estimate of the total sum under this head has been obtained by a procedure founded upon the principle that every foreign sale by a German of a mark bank balance creates at the moment of sale a corresponding holding of a foreign bank balance in Germany. The periodic totals of foreign balances shown in the books of the German banks were disclosed to us; and with the assistance of expert accountants we have been able to ascertain the net proceeds expressed in gold derived from the sale of marks. It is interesting to note that the foreign assets acquired in this way amounted to between seven and eight milliards of gold marks, the whole of which in consequence of the final devaluation of the mark was lost by more than one million foreigners who at one time or another were buyers of mark credits.

This figure is one of the credit factors in estimating the final total.

Other principal sources of German foreign assets have been the sale of goods, securities, real estate, precious metals and mark banknotes; interest accumulations, tourist expenditure in Germany, German holdings in ceded territories in Poland, Dantzig, etc., foreign money expended by the Allied Armies of Occupation,

remittances from Germans abroad, earnings of shipping, railway and canal freights for foreign goods in transit through Germany, insurance profits, etc.

On the other hand, German foreign assets have been expended on the purchase of goods imported, cash payments to the Allies, interest paid on German securities held abroad, German tourist expenditure, etc.

On all these heads of receipt and expenditure, the German statistical records and estimates, official data, bankers' and business reports, and other similar evidence, have been subjected by us to the most critical scrutiny, and their reliability has been tested by our examination of witnesses and inspection of original sources of information. Our investigations and the evidence obtained led us to discard entirely the values of German imports and exports as stated in the official reports, and to revalue all commodities on the basis of the then current world prices with such allowances as the special circumstances of German trade at the time may have rendered necessary.

After a close examination of all the factors which make up the total sum, we are of opinion that German capital abroad of every kind, including capital of varying degrees of liquidity and capital invested in participations in foreign companies and firms, and after taking into account all credit and debit items was at the end of the year 1923 not less than 5.7 milliard gold marks and not more than 7.8 milliard gold marks, and we think that the middle figure of $6^{3}/_{4}$ milliard gold marks is the approximate total.

We draw special attention to the foreign currency in Germany which, though not included in our valuation of capital held abroad, is so closely akin to a foreign asset that it must not be overlooked. It may indeed be said that this currency, the total of which we estimate at not less than 1 milliard two hundred million gold marks, is a German holding in the most liquid form for conversion into foreign assets.

On the other hand, on a broad view of German financial capacity, the value of the property in Germany held by foreigners should not be left out of account. The annual yield from this property, whether in the form of rent, interest or dividends, is at present inconsiderable and may at any time become subject to special taxation, particularly in the case of rent in respect of real estate purchased at the low prices current in recent years. We estimate, after very close study of the question, that the real estate and securities owned in Germany by foreigners represent a value of from 1 to 1½ milliard gold marks.

The Committee have thought it desirable to give in an annex to this report additional information in respect of their estimates of German assets abroad in 1914 as well as of the principal credit and debit factors, both during and since the war, that have gone to make up the final total of German capital abroad.

The second part of our enquiry was to investigate the means of bringing exported capital back to Germany.

The so-called flight of capital in this instance was in the main the result of the usual factors. It arose principally from the failure of the Government to bring its budget into proper relation,

and, as a corollary of such failure, from the raising of large loans and the direct issue of paper money. Secondly, it was due to the action of speculators and timid investors who sold their marks against the currency of other countries, while the exporters of goods retained abroad all that was possible of the proceeds of their sales. In the particular case under enquiry, however, the flight of capital was accentuated by the attitude of the people of Germany towards payments to her war creditors, and was marked by new and ingenious devices and schemes for evading restrictive legislation and for cloaking the real ownership of foreign balances.

The failure of the methods employed, both old and new, demonstrates the final ineffectiveness of restrictive legislation when successful evasion is so richly rewarded. Neither legal enactment nor severe penalties resulted in disclosure of assets abroad or hampered the flight of capital. We feel that this would have been true whether the Government had or had not used its best endeavours to enforce the laws and regulations.

In our opinion the only way to prevent the exodus of capital from Germany and to encourage its return is to eradicate the cause of the outward movement. Inflation must be permanently stopped. If the issue of currency is strictly confined within the true limits of national requirements on a stable basis of value, the German with capital abroad will feel assured that he will suffer no loss in bringing it home; the speculator can no longer look for a profit from the sale of marks. We have already seen in the case of Austria how, when the currency is fairly stabilised, the necessities of foreign trade tend to bring back existing foreign balances. Restrictive legislation, which in the main has proved futile in preventing the export of capital, becomes superfluous the moment there is no longer any inducement to evade the law. It is indeed to be feared that laws purporting to compel the return of capital would have the reverse effect to that which might be wished.

The method of securing a currency in Germany capable of maintaining a sufficiently stable international value covers the whole question of budgetary equilibrium and the establishment of a bank of issue on a sound basis. These matters, which fall outside the scope of our enquiry, have been referred by the Reparation Commission to another Committee whose conclusions we have the advantage of knowing. If effect is given to their recommendations, we think that a considerable part of the German assets now in foreign countries will return in the ordinary course of trade.

While we are of opinion that special legislation to prevent the export of capital or compel its return is not required when a country's finance is on a stable basis, we recognise that in the case of Germany a period of transition must necessarily ensue before stability can be obtained and confidence restored. We suggest that during this period an amnesty should be granted for a limited time from the penalties imposed by existing enactments and that special terms be offered for subscriptions to Government loans made in foreign currencies. Well-conceived measures of this kind would

be helpful in hastening the return of capital and the final restoration of financial equilibrium in Germany, conditions which are essential to the payment of Reparation.

We desire to express our sincere thanks to the officers of the Reparation Commission, and to the economists, statisticians and expert accountants who have aided us, for whose valuable assistance we are greatly indebted.

April 9th, 1924.

REGINALD McKENNA, *Chairman.*
HENRY M. ROBINSON.
ANDRÉ LAURENT-ATTHALIN.
MARIO ALBERTI.
ALBERT-E. JANSSEN.

Annex

Summary.

I.—Assets abroad in 1914.

II.—Period of the war:

(*a*) Surplus of imports and Germany's advances to her Allies;
(*b*) Depreciation of pre-war foreign assets; sequestration and liquidation measures;
(*c*) Profits realised by Germany in occupied territories;
(*d*) Sale of gold and German securities:
(*e*) Return from German assets abroad.

III.—Post-war period:

(*a*) Surplus of imports and cash payments made by Germany under the Peace Treaty;
(*b*) Sales to foreigners of mark credits and banknotes;
(*c*) Sales of gold;
(*d*) Sales of German real property and German securities;
(*e*) Expenditure by foreigners travelling in Germany and by Germans travelling abroad;
(*f*) Expenditure by the Armies of Occupation;
(*g*) Earnings from shipping, insurance, transit, etc.;
(*h*) Income from German investments abroad and from foreign investments in Germany; remittances made by Germans residing abroad;
(*i*) German private property in ceded territories;
(*j*) Foreign banknotes in Germany.

I.—Assets abroad in 1914.

The value of German assets abroad in 1914 has been estimated by different economists at sums varying between 20 and 35 milliard gold marks. Besides these unofficial estimates two estimates of an official nature, as well as a census, have been made by the German Government. The earlier of these two official estimates

is that made in 1905 by the Imperial Admiralty; the later one was supplied by the German Government in 1924 in reply to a question raised by the Second Committee of Experts. The census, which only covered securities, was made by the German Government during the war in August, 1916.

In the question put to the German Government the Committee not only asked for an estimate of the foreign assets held by German nationals in 1914, but also requested it to submit its comments on the various estimates already made by German economists.

All these documents—estimates of German economists, and those of neutral, Allied and Associated countries, official estimates and census, and the replies of the German Government—have been examined and compared. Taking into account all the factors of valuation, the Committee has come to the conclusion that the figure of 28 milliard gold marks may be accepted as representing the value of German assets abroad at the time of the declaration of war, it being understood that this figure of 28 milliards comprises only the assets abroad belonging to German nationals residing in Germany and not those belonging to German nationals residing abroad. In this estimate securities have been taken at their face value in gold marks.

II.—Period of the war.

(a) *Surplus of imports and Germany's advances to her Allies.*

The difficulty encountered by Germany in exporting her goods during the war, as well as her persistent endeavours to increase her imports by every possible means, in order to provide for the requirements of her armies, naturally produced a surplus of imports, considerably in excess of the figures of the normal pre-war deficit. To this deficit in Germany's foreign trade balance must be added the sums advanced by Germany to her Allies to enable them to pay for their imports, for which she received no corresponding return. The figure indicated for these two items may be considered to be reliable and amounts to an aggregate sum of 15.2 milliard gold marks, subject to the modifications referred to in paragraph (*c*).

(b) *Depreciation of pre-war foreign assets; sequestration and liquidation measures.*

Various estimates of the reduction in German assets abroad during the war as a result of depreciation have been made by several economists, whose figures are generally based on an estimated total of from 20 to 25 milliard gold marks for German assets in 1914. Their estimates seem too low, if we take as a basis the figure of 28 milliards adopted by the Committee for German assets abroad in 1914. This impression is moreover confirmed by information which the Committee has obtained by its own investigation.

It is impossible to adopt a definite figure in determining the value of the assets seized and liquidated in the Allied and Associated countries. On the basis of information obtained by the Committee from the Governments of the Allied and Associated

Powers as well as from Germany, the Committee has been able to estimate at approximately 16.1 milliard gold marks the reduction in German assets abroad during the war, as a result of depreciation and liquidation and sequestration measures. In adopting this figure no allowance has been made for the fact that certain German assets abroad may have been utilised to cover the payment of imports, nor for the fact that German assets abroad may have increased owing to the accumulation of the interest accruing on these assets. These several items are discussed elsewhere. The above figure therefore represents a net reduction in German assets abroad for which Germany during the war period received no return. These assets underwent a further decrease in value during the period following hostilities, which decrease was taken into account.

Lastly, the Committee is of opinion that both during and since the war, the category of assets in neutral countries has likewise undergone a reduction in value, and that in particular the greater part of such securities held by Germans has no longer a value equivalent to their face value, even taking into account the effect of the decline in the value of gold.

(c) *Profits realised by Germany in occupied territories.*

An examination of German economic measures taken in Belgium during the war, to which the attention of the Committee was called, suggested that substantial profits had accrued to Germany from the exploitation of occupied territories. Consequently, the Committee has made a careful study covering not only German operations in Belgium and Northern France, but also those in Poland and Roumania.

No attention has been paid to the purely military aspects of these operations, such as, for instance, requisitions intended to provide for the partial subsistence of the German occupying troops. Quite apart from such matters, however, it was found that the profits realised by Germany by requisitions and by other methods in occupied territories are closely connected with the deficit of the German balance of trade. With the help of German official documents, in particular reports by the military administration drawn up during the war and German memoranda estimating the value of war damages, the Committee has ascertained that the profits realised by Germany were principally obtained as follows:

Germany obtained in occupied territories considerable quantities of commodities which through the operation of centralised importing companies specially created for this purpose, were transported to Germany for internal consumption. Most of these goods were either not paid for at all, or were paid for in paper marks which were subsequently left in the country and amounted in the case of Belgium to six milliard paper marks, or were purchased through the medium of issues of local paper currency. The special object of such issues, according to a statement by the German Staff, was to enable Germany and her Allies to receive goods from occupied territories free of charge during the whole period of hostilities.

By requisition or in exchange for paper marks or local currency, Germany also obtained considerable quantities of the currency of invaded countries. Thus in the north of France the German military authorities imposed on towns fines and levies for which payment was required in German money, gold coin, or notes of the Bank of France.

Finally, foreign assets were acquired by Germany, specially in Belgium and France, notably by means of sequestration of securities, coupons and other credits, and these, like the banknotes mentioned above, served in part to pay for imports from neighbouring neutral countries.

It must also be pointed out that when the German Coal Centrale in Belgium issued export licenses for coal for Holland, Switzerland, or Sweden, the German authority kept for itself the foreign currency thus obtained, and forced the mines to accept paper marks.

The Committee has adopted the figure of from 5.7 to 6 milliard gold marks as corresponding to that portion of the profits derived from this exploitation of Belgium, Northern France, Poland, Lithuania, Roumania, etc., representing imports for which no payment was made and which in consequence had not been allowed for in her balance of accounts.

(d) *Sale of gold and German securities.*

The sale of gold and securities was the principal means whereby Germany paid for her imports during the war. The export of gold, which took place mainly during the early years of the war, reached a total amount of one milliard gold marks.

As regards German securities, widely diverging estimates have been made of the amounts sold. In our opinion the total figure is not far from one milliard gold marks.

(e) *Return from German assets abroad.*

The revenue which Germany derived from her assets abroad was very considerably diminished immediately after the declaration of war and further reductions occurred during the period of hostilities.

It should indeed be noted that interest ceased to be paid on the assets held by Germany in countries with which she was at war. Some of these assets were sold during the war and the depreciation of others became very marked towards the end.

On the other hand, the industrial securities, particularly those of neutral countries continued to pay interest at rates frequently higher than before the war.

While the Committee has been unable to determine exactly the variations for each year of the war in the revenue derived from German assets abroad, it has at least been able to make an estimate which may be taken as very nearly accurate.

III.—Post-war period.

(a) *Surplus of imports and cash payments made by Germany under the Peace Treaty.*

One of the main causes of the reduction of German assets abroad during the post-war period arose from the necessity for Germany to cover the deficit in her trade balance and to meet the cash payments which had to be made to the Allies under the Treaty of Versailles. These two items together amount to between 9 and 10 milliard gold marks.

As already stated in the report, the figures given in the official German foreign trade statistics are quite inaccurate for certain periods. This observation applies particularly to the figures originally published.

For this reason, it was necessary to revise completely the balance given for every year. Taking into account the various factors entering into the calculation, the Committee is of opinion that this revision has made it possible to reach a figure more nearly equal to the actual excess of imports than had been the case in previous reports dealing with this question. The fixing of the amount of the deficit in the trade balance is of true importance since any valuation that is to be made of German assets remaining abroad largely depends on the figure finally adopted for that deficit.

The cash payments made by Germany to the Allies—to the Reparation Commission, under the Reparation Recovery Act. payments to the Clearing Office, etc.—do not give rise to dispute.

(b) *Sale to foreigners of mark credits and banknotes.*

Germany has acquired foreign assets in large volume since the Armistice through opening credit accounts in her banks for the benefit of foreigners. These credits were paid for by the foreigners in the money or credits of other countries, and as they underwent a constant shrinkage in real value through the depreciating value of the mark, German economy profited largely from the transactions. The Committee made a careful study of the values so acquired by an investigation, with the aid of expert accountants, of the mark credit balances on foreign account in the principal banks of Germany during the post-war years.

It was found that there had been during this five-year period more than a million individual accounts of this kind. In most cases the mark credits of these accounts had not been immediately utilised and had undergone a process of shrinkage through the depreciation of mark values that amounted to a veritable evaporation.

The work of the expert accountants was directed to determine as nearly as possible the aggregate amount of the shrinkages in these very numerous accounts that was due to the depreciation of the value of the mark. With this end in view the leading banks in Germany were asked to transcribe from their books the data showing the credit balances and the amounts of debits in the accounts of all foreigners at the close of each month from the end of 1918 to the end of 1923.

After the sums indicated had been converted to gold equivalents at the current rate of exchange, it was possible to draw close inferences as to the total gains accruing to German economy as a whole. The data furnished by the banks were submitted to careful checking by the expert accountants, and it was found that they had been correctly compiled.

Credits in German marks were purchased by the citizens of a great many nations, but the largest amounts were taken by the citizens of a relatively restricted group of countries.

The methods used in determining the value of the assets acquired by the German banks in this way were subjected to an interesting check which consisted of taking a single account of a foreigner who had engaged in speculative operations on a considerable scale, and converting the figures of the transactions to a gold basis for every day on which any debit or credit entry was recorded. The results indicated that there was no tendency for this detailed method of conversion to yield results materially different from those found by the more general mass methods that it was necessary to employ in computing the figures for Germany as a whole.

When the whole enquiry, which was of considerable length, had been completed it was found that Germany had profited by the sale of mark credits by an amount of from seven to eight milliards of gold marks. In addition the sale of paper marks in foreign countries had resulted in profits amounting to from 600 to 700 millions of gold marks, or a total from these two sources of 7.6 to 8.7 milliards of gold marks.

(c) *Sales of gold.*

German official statistics record sales abroad by Germany principally in the years 1919-1921 and 1923 of gold to a total amount of $1^1/_2$ milliard gold marks. The accuracy of these figures is not disputed.

(d) *Sales of German real property and German securities.*

During the period characterised by the rapid depreciation of the mark, sales of real property to foreigners reached an unwonted development in Germany.

In estimating the proceeds of such sales, the Committee had before it various statistics indicating in detail the number and amount of sales of real property to foreigners since the war in some of the principal towns of Germany, and also in districts of varying economic character.

As regards securities, Germany was able during the first part of the post-war period to market some of her securities abroad but as soon as her financial position became more uncertain, most of these transactions were suspended.

In the aggregate, the Committee considers that sales of German real property and securities to foreigners amounted to about $1^1/_2$ milliard gold marks.

(e) *Expenditure by foreigners travelling in Germany and by Germans travelling abroad.*

During the five years which have elapsed since the Armistice, considerable sums have been spent in Germany by large numbers of foreigners who have travelled and lived in the country. Our

estimate of the expenditure by these travellers was facilitated by the official statistics kept by the largest German towns and by the special report on the subject supplied by the German Government. The Committee was able to obtain a fairly exact idea of the number of foreigners who came to Germany during the period in question, the average length of their stay and the daily expenditure of each traveller.

As against this, numerous German travellers belonging mostly to the wealthier classes have stayed in foreign countries, especially in the last 2 or 3 years. Their expenditure has to be deducted from the expenditure by foreigners in Germany referred to above, and very considerably reduces the amount of the German assets realised from that source.

(f) *Expenditure by armies of occupation.*

During the post-war period, a certain sum has been realised by Germany through the expenditure in foreign currency, or in marks bought with foreign currency, by the troops occupying German territory.

Each of the Governments having or having had armies of occupation in Germany has supplied the Committee with a detailed estimate of the expenditure made by the officers and men or by the various army services. These estimates were checked in several ways by a series of calculations relating to each army's different methods. The results of these different calculations have been combined.

(g) *Earnings from shipping, insurance, transit, etc.*

Earnings from shipping, insurance, commissions, transit, were an important source of German income prior to 1914, but during the war such earnings in great measure disappeared. In the five years 1919-23 some of the lost ground has been regained, particularly in the field of shipping and insurance, and the Committee has taken this item into account.

(h) *Income from German investments abroad and foreign investments in Germany.*

Remittances made by Germans residing abroad.

The total amount of the income produced by German assets abroad since 1919 is of course substantially below that produced by German assets abroad before the war. The assets held abroad by Germany since the war represent indeed only a small and for some part unproductive fraction of her pre-war holdings. It is true, on the other hand, that the payments which Germany has had to make since 1919 in respect of German securities held by foreigners have been inconsiderable. After a careful study of the question, the Committee came to the conclusion that a set-off of the two items—income from German investments abroad and income from foreign investments in Germany—resulted in a small balance in Germany's favour for the whole of the post-war period.

The remittances sent to Germany by German nationals residing abroad and German connections and sympathisers amount to a considerable figure in Germany's favour.

(i) *German private property in ceded territories.*

Most of the valuations of German property abroad have taken little or no account of the value of German private property in the ceded territories of Silesia, Posen, Danzig, etc.

These properties are included in our own estimate in so far as, according to the definition adopted by the Committee, they are owned by Germans residing in Germany. Although it is very difficult to determine with any precision the extent of these properties, the Committee considered that it should not exclude from its valuation certain industrial assets, particularly those in Upper Silesia.

(j) *Foreign banknotes in Germany.*

There is in Germany a large quantity of foreign bank notes (dollars, florins, Scandinavian crowns, Swiss francs, pounds sterling, and more especially in the occupied territory, Belgian and French francs). The exceptional plight of the German mark has influenced Germans in acquiring stable currencies wherever possible and on a large scale. These foreign notes have remained in the country instead of finding their way abroad again through the normal channel of trade, as would have been the case in ordinary circumstances.

Various estimates of the total amount of such notes were made in Germany, particularly towards the end of 1923. The Committee has compared the different estimates with the information which it collected in Germany and other countries. In its opinion, the value of the foreign notes existing in Germany at the end of 1923 amounted to about 1.2 milliards gold marks.

6. Decision No. 2826 of the Reparation Commission, April 11, 1924.

The Commission unanimously adopted the following decision:

The Reparation Commission, having taken note of the Experts' Reports, considers that they offer a practical basis for the rapid solution of the reparation problem. It is therefore ready at once, and within the limits of its powers, to approve the conclusions and to adopt the methods therein set forth. In order to facilitate and hasten the bringing into operation of the Experts' programme, the Commission proposes to recommend to the Governments concerned the conclusions of the reports which fall within the jurisdiction of those Governments.

The Reparation Commission is however obliged to reserve its approval and action until the Government of the Reich declares its willingness to collaborate in the execution of the Experts' plans. To this end it will grant a hearing to the Delegates of the German Government on or after Thursday, April 17th, unless that Government prefers to send a written reply.

It was further decided to communicate this decision immediately to the Kriegslastenkommission.

7. Letter from the Deutsche Kriegslastenkommission.

Deutsche Kriegslastenkommission.

Paris, April 16, 1924.

To the Reparation Commission,
Paris.

The German Government has the honour to acknowledge the receipt of the note of the Reparation Commission dated April 11, 1924, concerning the Experts' Reports.

The German Government considers too that the reports offer a practical basis for the rapid solution of the reparation problem. Therefore it declares its willingness to collaborate in the execution of the Experts' plan.

(Signed) RUPPEL.

8. Decision No. 2835 of the Reparation Commission, April 17, 1924.

The Commission decided unanimously:

1. To take note of the reply in which the German Government accepted the conclusions contained in the Experts' Reports;

2. To approve, within the limits of its powers, the conclusions set forth in these Reports and to adopt the methods therein recommended;

3. Officially to transmit the Reports of the Committees to the Governments concerned, recommending the conclusions coming within their jurisdiction, in order that the plans proposed might be brought into full operation without delay;

4. To ask the German Government:

(*a*) To submit as soon as possible to the Commission, on the basis of the conclusions and texts of the reports, drafts of the law and decrees intended to ensure the complete execution of these plans;

(*b*) To notify to the Reparation Commission the names of the members who would represent the German Government or German industry on the Organisation Committees for the railways and industrial mortgages provided for in the report of the First Committee;

5. To nominate, at an early meeting, those members of the various Organisation Committees whose appointment came within the jurisdiction of the Reparation Commission;

6. To prepare the measures the working out of which the Report has left in the hands of the Commission.

PART II. THE LONDON AGREEMENTS.

1. Final Protocol, London, August 16, 1924.

The Representatives of the Belgian Government, the British Government (with the Governments of Canada, Australia, New Zealand, South Africa and India), the French Government, the Greek Government, the Italian Government, the Japanese Government, the Portuguese Government, the Roumanian Government, the Serb-Croat-Slovene Government, and the German Government, accompanied by the Representatives of the Government of the United States of America, with specifically limited powers, and the representatives of the Reparation Commission, being assembled at the Foreign Office under the chairmanship of the Right Honourable James Ramsay MacDonald, Prime Minister and Secretary of State for Foreign Affairs, on the conclusion of the proceedings of the London Conference on the application of the plan presented to the Reparation Commission on the 9th April, 1924, by the First Committee of Experts appointed by it on the 30th November, 1923,

The President states that all the Governments concerned and the Reparation Commission have confirmed their acceptance of the plan and have agreed to its being brought into operation, and that in the course of the proceedings of the Conference certain Agreements which are necessary to enable the plan to be brought into operation have been drawn up, or already signed, by the Parties concerned. It is understood that these Agreements, which have now been signed or initialled *ne varietur* (except as regards the dates laid down in the Agreement forming Annex III hereto, which will be extended by seventeen days) and are annexed hereto, are mutually interdependent. The Representatives of the Parties concerned will meet in London on the 30th August next in order to effect, at one and the same session, the formal signature of the documents which affect them and have not already been signed. On this occasion a certified copy of the Agreement concluded between the Allied Governments will be communicated to the German Government.

The statement of the President having been approved unanimously by the Representatives of the Governments concerned and of the Reparation Commission, the President declares the proceedings of the Conference at an end.

London, August 16, 1924.

J. RAMSAY MacDONALD, *President.*
M. P. A. HANKEY, *Secretary-General.*
JACQUES DAVIGNON, *Belgian Secretary.*
RALPH F. WIGRAM, *British Secretary.*
R. MASSIGLI, *French Secretary.*
GEORGE V. MÉLAS, *Greek Secretary.*
GINO BUTI, *Italian Secretary.*
IYE MASA TOKUGAWA, *Japanese Secretary.*
JOAO de BIANCHI, *Portuguese Secretary.*
D. N. CIOTORI, *Roumanian Secretary.*
G. DIOURITCH, *Serb-Croat-Slovene Secretary.*
E. WIEHL, *German Secretary.*
——, *Reparation Commission Representative.*

Annex I

Agreement between the Reparation Commission and the German Government for the carrying out of the Report of the First Committee of Experts, London, August 9, 1924.

Agreement

between the Reparation Commission

represented by M. Louis Barthou, Sir John Bradbury, the Marquis Salvago Raggi and M. Delacroix of the one part.

and the German Government

represented by Chancellor Dr. Marx of the other part.

The Contracting Parties

being desirous of carrying into effect the plan for the discharge of the reparation obligations and other pecuniary liabilities of Germany under the Treaty of Versailles proposed to the Reparation Commission on the 9th April 1924 by the First Committee of Experts appointed by the Commission (which plan is referred to in this agreement as the Experts' Plan) and of facilitating the working of the Experts' Plan by putting into operation such additional arrangements as may hereafter be made between the German Government and the Allied Governments at the Conference now being held in London, in so far as the same may lie within the respective spheres of action of the Reparation Commission and the German Government ;

And the Reparation Commission acting in virtue not only of the powers conferred upon it by the said Treaty, but also of the authority given to it by the Allied Governments represented at the said Conference in respect of all payments by Germany dealt with in the Experts' Plan but not comprised in Part VIII of the said Treaty[1].

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[1] The President of the Inter-Allied Conference to the Reparation Commission.

London, August 9, 1924.

Gentlemen,

As President of the Inter-Allied Conference, I am desired by the Governments there represented to inform you that they have agreed, in accordance with the Dawes Plan, that the annuities to be paid by Germany under that Plan cover, as well as Reparation payments, all other payments mentioned in the Plan which are not comprised in Part VIII of the Treaty of Versailles. The Reparation Commission is accordingly authorised to include all such payments not comprised in Part VIII of the Treaty in the Annuities payable by Germany.

I am, Gentlemen, Your obedient Servant,

(Signed) J. RAMSAY MacDONALD.

Hereby agree as follows :

I.

The German Government undertakes to take all appropriate measures for carrying into effect the Experts' Plan and for ensuring its permanent operation and in particular

(1) It will take all measures necessary with a view to the promulgation and enforcement of the laws and regulations required for that purpose (especially the laws on the Bank, the German railways and the industrial debentures) in the form approved by the Reparation Commission ;

(2) It will apply the provisions contained in Annex I hereto as to the control of the revenues assigned as security for the annuities under the Experts' Plan and other matters.

II.

The Reparation Commission undertakes on its side to take all appropriate measures for carrying into effect the Experts' Plan and for ensuring its permanent operation and in particular

(1) For facilitating the issue of the German loan contemplated in the Experts' Plan ;

(2) For making all financial and accounting adjustments necessary to give full effect to the Experts' Plan.

III.

The German Government and the Reparation Commission agree:

(1) To carry into effect in so far as the same may lie within their respective spheres of action such additional arrangements as may hereafter be made between the German Government and the Allied Governments at the said Conference now being held in London including any provisions which may be so agreed for carrying into effect the Experts' Plan or for the introduction of modifications of detail in the working of the said Plan. The said additional arrangements when concluded shall be added in the form of a second schedule to this document and shall be identified by the signatures of two members of the Reparation Commission on behalf of that body and of two duly authorised representatives of the German Government.

(2) Any dispute which may arise between the German Government and the Reparation Commission with regard to the interpretation either of the present agreement and its schedules or of the Experts' Plan or of the German legislation enacted in execution of that Plan, shall be submitted to arbitration in accordance with the methods to be fixed and subject to the conditions to be determined by the said London Conference for questions of the interpretation of the Expert's Plan.

This provision shall be without prejudice to the arbitration clauses included in the Experts' Plan or in the German legislation or in any of the Annexes hereto.

IV.

If no agreement shall be reached at the said London Conference between the Allied Governments and the German Government for the purpose of carrying into effect the Experts' Plan, this Agreement shall be void.

London, 9th August 1924.

For the Reparation Commission:

Signed: LOUIS BARTHOU.
JOHN BRADBURY.
SALVAGO RAGGI.
LÉON DELACROIX.

For the German Government:

Signed: MARX.

Annex I to the Agreement of August 9, 1924.

Protocol concerning the contributions to be made from the German Budget and the institution of control over the revenues from customs and the taxes on spirits, tobacco, beer and sugar.

Chapter I.

Budgetary contributions.

(1) Germany has to pay each year from her budget to the Agent for Reparation Payments the following amounts:

(a) In the 3rd year of the execution of the plan of the Experts, *i. e.*, in the year 1926-1927.....	110 million gold marks.
(*b*) In the 4th year of the execution of the plan of the Experts, *i. e.*, in the year 1927-1928.....	500 „ „ „
(*c*) In the 5th year of the execution of the plan of the Experts and the following years, *i. e.*, from the year 1928 onwards	1,250 „ „ „

(These payments do not comprise the transport tax.)

(2) In the event of the yield of the aggregate controlled revenues as defined in Section III exceeding 1 milliard in the third year, or 1¼ milliards in the following year, the budget contributions shall be increased by a sum equal to ⅓ of such surplus, this addition, however, not to exceed 250 million marks.

On the other hand, if those aggregate revenues fall short of one milliard in the third year, or of 1¼ milliards in the fourth year, the respective global contributions shall be diminished by one-third of the deficiency, this diminution, however, not to exceed 250 millions.

The amounts by which the contributions from the budget are to be increased or decreased will be established at the end of each year. The surcharges or repayments required thereafter shall be effected by payment of one quarter in each of the 3rd, the 4th, the 5th and 6th months of the following year[1].

(3) All payments to be effected by virtue of the present Protocol to the Agent for Reparation Payments by Germany or for her account shall be made in gold marks or their equivalent in German currency to the Reichsbank.

For the purpose of the present provision, a gold mark shall be considered as equal to the value of 1/2790 kilogram of fine gold at the London quotation. This value is to be fixed on the basis of the London gold prices on the third market day before maturity. The conversion into German currency is to be based on the average rate (Mittelkurs) of the last official quotation on the Berlin Stock Exchange for a cable transfer on London three clear days before the due date of each instalment. In cases where, by agreement, payments should be made at a date prior to the due date, the actual date of payment would be substituted for the due date for purposes of conversion.

Chapter II.

Supplementary budgetary contributions.

(1) From the sixth year of the execution of the plan, *i. e.,* from the year 1929-1930 onwards, an increase of the budgetary contribution provided for the standard year (1928) shall take place in accordance with the index of prosperity laid down below.

(2) For the purpose of establishing the index, the following statistical data shall be employed:

(*a*) The total of German exports and imports taken together;

(*b*) The total of budget receipts and expenditure taken together, including those of the states of Prussia, Saxony, and Bavaria, after deducting from both sides the amount of the Peace Treaty payments included in the year;

(*c*) Railroad traffic as measured by the statistics of the weight carried;

(*d*) The total money value of the consumption of sugar, tobacco, beer and alcohol within Germany, measured by the prices actually paid by the consumer;

(*e*) The total population of Germany computed from the last available census data, vital statistics and emigration records;

(*f*) The consumption of coal (and lignite reduced to coal equivalent) per capita.

(3) In computing the base, the average statistics for the three years 1927, 1928 and 1929 shall be taken for budget receipts and expenditure (*b*), for the figure of the population (*e*), and for the consumption of coal per capita (*f*), and the returns of the six years 1912 and 1913, 1926, 1927, 1928 and 1929 for the other categories,

[1] See Agreement between Reparation Commission and German Government, p. 163.

due allowance being made in the latter case for the difference in population and the altered gold values to make the two earlier years comparable with the four later years. The percentage change for each of these six groups, compared with the base, shall be separately computed, and an arithmetical average of the six percentage results taken as the index.

(4) During the five years from 1929-30 to 1933-34 the index figures shall be applied to the amount of 1,250 millions, *i. e.*, only half of the standard payment, in order to obtain the supplement for the year; during the following years, viz., as from 1934-35 onwards, it shall be applied to the standard payment, viz., 2,500 millions.

(5) The supplementary payment shall be reckoned only for each completed half per cent of the index, *i. e.*, an index average of 11.35% would be reckoned as 11%.

(6) At the end of each year of the execution of the plan, the supplement, if any, shall be computed on the basis of the returns of the preceding calendar year, and the result shall be communicated to the Reparation Commission. The supplement for the year 1929/30 shall be computed by comparing the statistics of the calendar year 1929 itself with the index base and shall be paid before the end of the fourth month of the year 1930/31.

(7) In the event of the index of any year producing, as the supplement, a "minus quantity", the normal payment shall continue to be made; but subsequent supplementary payments shall not accrue due until allowance has been made therefrom for such deficiency or "minus payment" of previous years.

(8) The rules and regulations according to which the index is to be computed as well as the data and the methods to be used with a view to ascertaining that the statistics furnishing the several elements of the index are as correct and unquestionable as possible, shall be fixed in detail by a Committee to consist of four members. Two of these members shall be appointed by the German Government and two by the Reparation Commission. The German Government will have the index computed by the "Statistisches Reichsamt" in accordance with the methods indicated by the Committee.

The Committee shall be entitled to verify the statistics (more particularly the declarations and the statements) on the basis of which the categories (*a*) and (*f*) (Chap. II (2)) have been calculated.

The same statistics shall under the same conditions and at his request be brought to the knowledge of the Commissioner of Controlled Revenues.

In the event of the members of the Committee not being able to come to an agreement on these various questions, they will request the Finance Section of the League of Nations to appoint a President. On the demand of the German Government this President shall be a national neither of Germany nor of a country represented upon the Reparation Commission.

Any controversy arising between the German Government and the Reparation Commission in respect of the statistics serving as

a basis for the index as well as regarding their application or regarding the computation of the index itself shall be settled by the same Committee by application of the same procedure.

(9) From the year 1928 onwards the German Government, the Reparation Commission and the Governments represented on the Reparation Commission shall each have the right in any future year to ask for a revision of Germany's liabilities on the ground that the general purchasing power of gold—as compared with 1928—has altered by not less than 10%. The revision to be made may apply both to the standard contribution and to the supplementary payment in accordance with the index of prosperity, as regards the latter, however, only in so far as the alteration of the purchasing power of gold has not already played a part in determining the figures of the several elements of the index of prosperity. Failing mutual agreement a decision shall be given by an arbitral committee appointed by the League of Nations. After the decision, the altered basis shall stand for each succeeding year until a claim be made by either party that there has again been a change since the year to which the alteration applied of not less than 10%.

The alterations under this paragraph shall be made by reference to such generally approved index numbers of price (German or non-German) singly or in combination as they have been agreed to or as the arbitration may decide.

Chapter III.

Control of the assigned revenues[1].

(1) By way of security for the contribution from the German budget (Chap. I and II) and by way of a collateral security for the guarantee given by the German Government for the payments provided for under the "Statutes of the German Railways, Joint Stock Co." and of the "Industrial Charges Law" the German Government shall assign the returns from customs and from the taxes on spirits, tobacco, beer and sugar and shall subject them to a control under the following conditions :

(2) The exercise of the control shall be entrusted to a Commissioner whose experience and capacity in this domain are generally recognised. He shall be appointed by the Reparation Commission and shall be responsible to that Commission.

For each of the five assigned revenues the Commissioner will have a sub-commissioner to assist him in the exercise of the control.

The Commissioner shall have the assistance of an advisory committee, to which the U. S. A., France, Great Britain, Italy and Belgium shall appoint one representative each.

(3) The German services shall transfer the assigned revenues to the Commissioner. These remittances shall be effected not later

[1] See Agreement between Commissioner of Controlled Revenues and German Government, p. 165.

than the twentieth day of each month to the account of the Commissioner with the branch of the Reichsbank to be designated by him, and in the following manner :

(*a*) The 10 most important "Zollkassen" will directly transfer the total amount collected by them during the preceding month in respect of the five controlled revenues.

(*b*) The "Oberfinanzkassen" will transfer the total amount in respect of the five controlled revenues collected during the preceding month either by themselves or by the "Zollkassen", except those named under (*a*) above.

(*c*) The "Branntwein-Monopol-Verwaltung" will pay the whole of the receipts from the Spirits Monopoly collected by itself during the preceding month.

In the case of the customs and the taxes on tobacco, beer and sugar the amounts to be paid shall be the gross receipts, in the case of the Spirits Monopoly the net receipts.

The 10 most important "Zollkassen" in the sense of (*a*) for the current fiscal year are those which have collected for the Reich during the first quarter of the current fiscal year the biggest receipts from customs, tobacco, beer and sugar taxes. For the subsequent fiscal years the biggest "Zollkassen" will in every case be considered to be those which during the preceding calendar year have shown the biggest receipts from the controlled revenues.

The returns from the controlled revenues shall be entered in separate receipt-accounts kept at the collecting offices, and until the transfer to the account of the Commissioner they shall be blocked at the payment offices mentioned above under (*a*)-(*c*) in such a way as to assure that the said payment offices will always have at their disposal an amount equal to the sums paid direct to them or to the sums transferred to them.

In the official monthly publications regarding the returns from the taxes of the Reich the assigned revenues should only appear under a separate head.

(4) The Commissioner will dispose in the following way of the amounts transferred to him:

(*a*) In the first and second years, *i. e.,* during the years 1924/25 and 1925/26, during which Germany is not bound to effect any payments out of her ordinary budget, the Commissioner will, subject to Article (5), paragraph 2, and Article (16), give orders to the effect that the amounts paid to his account be immediately replaced at the disposal of the German Government, as soon as he has received the total amount due from the returns of the assigned revenues,

(*b*) From the third year onwards the Commissioner will retain as much of each monthly payment as is necessary to cover $^1/_{10}$ of the budget liabilities for the current year (cf. Chapters I and II).

But of the amounts retained he will transfer each month to the Agent for Reparation Payments $^1/_{12}$ of the budget liabilities for the

current year. The balance will be used by him for the accumulation of a reserve fund until such time as, including interest accrued, this fund amounts to 100 million gold marks. After that date and as long as the fund remains at 100 million gold marks, the Commissioner will retain only so much of each monthly payment as is necessary to cover $^1/_{12}$ of the budget liabilities for the current year.

The amounts not to be retained by the Commissioner under the above provisions will be returned by him to the German Government at the latest within one week after the whole of the monthly receipts from the assigned revenues have been remitted to him.

The reserve fund is intended primarily to meet any deficiencies in the assigned revenues, should they in any month fall short of $^1/_{12}$ of the budget liabilities for the current year. If the reserve fund has been drawn upon to meet the deficiencies it shall be replenished in accordance with the procedure laid down above (monthly retention of $^1/_{10}$ instead of $^1/_{12}$ and of the accruing interest until such time as it again amounts to 100 million gold marks).

The Commissioner is bound to invest the monies of the reserve fund to the best advantage, without, however, depriving himself of the liberty of action indispensable to him. The accruing interest shall be credited to the reserve fund and shall be remitted to the German Government as soon as the reserve fund totals 100 million gold marks.

(5) In the event of the interest and sinking fund payments on the railway bonds and industrial debentures not being made at the due date or not being made in full and of the Trustee for the said bonds asking the Commissioner for the payments due for the said interest and sinking fund, the Commissioner will have recourse to the reserve fund mentioned under Article (4) and, in so far as the reserve fund proves insufficient to cover the deficiency the Commissioner will retain so much of the amounts to be returned to the German Government pursuant to the above provisions as is sufficient to enable him to effect the payments demanded by the Trustee as well as to restore the reserve fund to its status quo ante. The same procedure will be adopted to restore the reserve fund to its former status if the reserve fund has proved sufficient to meet the deficiency. The Commissioner shall, instead of returning the funds, hand over to the German Government the redeemed interest coupons and debentures.

In the event of the Trustee for the railway bonds or the Trustee for the industrial debentures giving notice to the Commissioner of Controlled Revenues that it is to be feared that the periodical payments for interest and sinking fund on the above-mentioned bonds will not be made on their due dates or will not be made in full, the Commissioner is entitled to retain as from the day of this communication an amount sufficient to meet the probable deficiencies notified by the Trustees. Notice cannot be given by the Trustees to the Commissioner earlier than six weeks before the due date of the respective interest and sinking fund payments mentioned above, and only from the second year of the execution of the plan onwards. As soon and in so far as the amounts retained

prove not to be required for the payment of the interest and sinking fund amounts in question, they shall, together with the interest accrued, be forthwith repaid to the German Government.

(6) From the coming into force of the Experts' Report, the Commissioner will have the following rights:

(*a*) In order to enable the Commissioner to ascertain whether all the assigned revenues have been regularly collected from the tax payers and have passed through the control administration, he shall be handed every month certified tabular statements containing continuous information concerning each of the controlled revenues, both in their entirety and with regard to every single tax-collecting office. Moreover, the Commissioner shall be entitled to inspect the documents and vouchers which form the basis of the monthly schedules drawn up by the "Reichsabrechnungsstelle" showing the returns of the controlled revenues and on the basis of which the "Reichshauptkasse" keeps its accounts of the controlled revenues.

(*b*) Furthermore all the draft laws and ordinances concerning the controlled revenues shall be communicated to the Commissioner, those bills and ordinances which need the consent of the "Reichsrat" for promulgation simultaneously with their communication to the "Reichsrat", all other ordinances simultaneously with their communication to the "Landesfinanzämter". Decrees circulated to the "Landesfinanzämter" regarding the collection of and accounts kept for the assigned revenues, shall be communicated to the Commissioner at the same time as to the "Landesfinanzämter".

The Commissioner and the sub-commissioners will be in permanent contact with the Ministry of Finance. They will have access to the Minister of Finance himself, to the competent Secretary of State and to the competent departmental director, who shall see to it that they and their accredited representatives are placed in touch once and for all with those officials who may be useful to them in the performance of their task. The Commissioner is entitled to require any information which he deems useful for the performance of his task. The competent department of the Ministry of Finance shall supply him as quickly as possible with such information and with the requisite documents and data. With a view to procuring such information, the Commissioner may also visit provincial or local administrative offices and factories subject to fiscal supervision and may inspect at the above mentioned offices the books and documents concerning the assigned revenues. For the same purpose he may likewise delegate his representatives or experts. Such visits will be effected by the Commissioner or by his mandatory in the company of an official appointed by the Reich Ministry of Finance, unless no official be available at the time desired.

(7) The rights of the Commissioner as laid down in Article (6) shall be extended:

(*a*) If for three consecutive months the amount of the assigned revenues paid to the account of the Commissioner is less

each month than 120 % of $^1/_{12}$ of the budget liabilities for the current year (cf. Chapters I and II) or

(*b*) If for six consecutive months—during which the relevant legislation, and more particularly the tariffs have remained unmodified—the amount of the assigned revenues paid to the account of the Commissioner falls short in all by more than 35 % of the amount for the corresponding months of the preceding year or falls short by more than 30 % of the average amount for the corresponding months of the two preceding years or

(*c*) If for six consecutive months—during which the relevant legislation and more particularly the tariffs have remained unmodified—the total yield remitted by one of the controlled revenues falls short by more than 50 % of the yield remitted during the corresponding months of the preceding year.

The extended rights which the Commissioner may exercise either singly or concurrently are the following :

(*a*) He may propose that the Reich Minister of Finance should use as strictly as possible and to their full extent the powers granted to him by existing laws to increase the yield of the assigned revenues or he may propose that he should cancel all the facilities and concessions granted under the laws in force, such as the complete or partial remittance or reimbursement of taxes or the granting of respite, etc., until such time as the conditions on which the extension of the Commissioner's right was based will have ceased to exist.

In submitting these proposals the Commissioner will make due allowance for economic needs, more particularly as regards exports, to the full extent compatible with fiscal requirements.

(*b*) He may, except in the case of customs duties, veto measures reducing the tariffs for those revenues, the receipts of which have decreased ; and in the case of all revenues the receipts of which have grown smaller he may protest against the mitigation of penalties or against any measures of a general nature which are liable to diminish or to delay the yield of these revenues. Accordingly, all bills and ordinances regarding the assigned revenues as well as all decrees circulated to the " Landesfinanzämter " concerning the collection of and accounts kept for the assigned revenues will be communicated to him before being submitted to the " Reichsrat " or to the " Landesfinanzämter ". If within a week from the communication of the bill etc., the Commissioner fails to protest, he is assumed to be in agreement with the bill, etc.

(*c*) He may instruct his mandatories or experts to ascertain the special causes of the decrease in the receipts of certain revenues. For this purpose he may, after notifying the Reich Ministry of Finance, instal representatives or experts in certain " Landesfinanzämter " or in local customs offices or in both. In this case a German official will be associated

with them with a view to facilitating the carrying out of their mandate and to giving them an insight into the details of the internal and external working of the service.

(*d*) In the event of the transfer of the receipts of the controlled revenues by the "Oberfinanzkassen" provided in III (3) having in his opinion given rise to irregularities, the Commissioner shall be entitled to claim that the number of important "Zollkassen" which are bound to effect direct payment be increased beyond the number of ten.

The extended rights of the Commissioner will lapse when the causes which have led to their extension have ceased to exist and this new state of affairs has been maintained for three months.

(8) The German Government shall temporarily assign as security —on conditions identical with those regulating the pledging of the former receipts—other indirect taxes sufficient to produce, jointly with the revenues hitherto assigned, at least $^1/_{10}$ every month of the budget liabilities for the current year (cf. Sections I and II), in any one of the following cases :

(*a*) If the receipts of the controlled revenues decline to such an extent that for three consecutive months—or for two consecutive months, provided the Minister of Finance has not given effect to the proposals submitted to him by the Commissioner (Article (7), paragraph 2 (*a*))—in spite of a complete absorption of the reserve fund—the Commissioner has been unable each month to pay over to the Agent for Reparation Payments $^1/_{12}$ of the annual budget liabilities fallen due (cf. Sections I and II).

(*b*) If the Minister of Finance has not given effect to the proposals submitted to him by the Commissioner, and if the receipts of the assigned revenues have not increased to such an extent as to ensure that during the fourth and the two following months after the Commissioner has submitted his proposals the fraction of the assigned revenues handed over to the Commissioner will again amount to 120 % of $^1/_{12}$ of the budget liabilities of the current year.

As soon as the revenues originally assigned considered per se have for three consecutive months again produced a minimum of 120 % of $^1/_{12}$ of the budget liabilities of the current year, the temporary pledging of the new taxes will end. At the same time the rights of the Commissioner will again be reduced to those indicated in Article (6).

(9) If, on the other hand, the total receipts of the old and new pledged taxes taken together decrease to such an extent that during three consecutive months there cannot be transferred an amount at least sufficient to cover $^3/_{10}$ of the budget liabilities of the current year, the Commissioner shall have the following rights :

He may, after consultation with the Agent for Reparation Payments, require the execution of such measures as in his opinion are requisite and appropriate to redress existing shortcomings and to increase the receipts of the fiscal resources the decline of which has caused the deficiency.

If these measures have been taken and applied and if for at least four consecutive months the taxes assigned as security have yielded each month at least one tenth of the budget liabilities, the measures shall be repealed in whole or in part, if the Minister of Finance and the Commissioner consider that they are no longer necessary.

(10) If these measures, in so far as they are covered by existing legislation, are not carried out immediately and, in so far as they involve an alteration of existing legislation, are not carried out within two months, or if they do not lead to the result that at the latest in the fourth month after their coming into force $^1/_{10}$ at least of the budget liabilities of the current year is handed over, the Commissioner shall be entitled to claim, after consultation with the Agent for Reparation Payments, that the administration of these revenues be changed. For this purpose he may claim that one or several autonomous organisations independent of the State be constituted which would have to administer those categories of taxation the failure of which occasioned the deficiency. But, in the event of the Reich Minister of Finance demanding it, such a change of organisation can only be carried out after the arbitrator mentioned under Article (14) has decided that this measure is necessary and apt to increase the returns from taxation so as to guarantee the annual budget liabilities (cf. Sections I and II).

(11) The rates of the assigned duties on spirits, tobacco, beer and sugar shall not be reduced by the German Government without the consent of the Commissioner.

(12) The Commissioner shall avoid any interference with the customs tariff policy of the German Government.

(13) All the provisions of the present Protocol shall be interpreted and applied in such a way as to ensure that the persons charged with the control of the assigned revenues as well as the experts appointed by the Commissioner will, when not on duty and even beyond the term of their activity as controllers—observe the strictest secrecy regarding the facts that may come to their knowledge in connection with the control and more particularly that the fiscal and trade secrets of the businesses involved will not be violated.

(14) Any divergencies of opinion arising between the Commissioner and the German Government with regard to the interpretation of this Protocol and more particularly with regard to the rights enjoyed by the Commissioner shall, at the request of the German Government or of the Commissioner, be decided by an arbitrator to be appointed by the Chairman at the time of the Permanent Court of International Justice at The Hague who, on the demand of the German Government must be a national of a country other than Germany or the countries represented upon the Reparation Commission. Except in the case covered by Article (10) an appeal to the arbitrator will not operate to suspend action.

(15) All expenses incurred by the Commissioner, the sub-commissioners and their entire staff shall be met from the fixed annuities to be paid by Germany; they must not increase the said

annuities. Only the supplementary expenses of control occasioned by the fact that the legitimate claims of the Commissioner have not been complied with by the German administrative authorities will have to be defrayed by Germany in addition to the budget liabilities mentioned in Chapters I and II. The arbitrator provided in Article (14) will decide whether and to what extent Germany has incurred such a liability.

(16) In so far as at the beginning of the last quarter of the second year of the execution of the plan the danger may arise that the sale of preference shares of the Company "Deutsche Reichsbahn" or that an internal loan will not produce an amount sufficient to meet the extraordinary liabilities falling due in the course of this year to an amount of 250 million gold marks, the Commissioner shall be entitled at the request of the Agent for Reparation Payments to retain from the receipts cashed by him during the last three months of the current year and during the first month of the next year a quarter each month of the amount required to cover the deficiency.

(17) The provisions of this Chapter regarding the assignment of certain revenues as security do not affect the budget liabilities contained in Chapters I and II.

Annex II A to the Agreement of August 9, 1924.
(Identical with Annex II below.)

Annex II B to the Agreement of August 9, 1924.
(Identical with Annex III below.)

Annex II

Agreement between the Allied Governments and the German Government on arbitration, &c., London, August 30, 1924.

The Representatives of the Governments assembled in London,

Having taken note of the provisions of the Agreement signed in London on August 9, 1924, between the German Government and the Reparation Commission, and of the questions of which under Article III of the said Agreement the settlement must be completed.

Agree that the following clauses shall be embodied in the said Agreement :

Clause 1.

The procedure for the settlement of disputes contemplated in Article III (*b*) of the said Agreement of August 9, 1924, shall be as follows.

Subject to the powers of interpretation conferred upon the Reparation Commission by paragraph 12 of Annex II to Part VIII of the Treaty of Versailles and subject to the provisions as to arbitration existing elsewhere, and in particular in the Experts' plan or in the German legislation enacted in execution of that plan, all disputes which may arise between the Reparation Commission and Germany with regard to the interpretation either

of the Agreement concluded between them, the Experts' plan, or the German legislation enacted in execution of that plan, shall be submitted for decision to three arbitrators appointed for five years ; one by the Reparation Commission, one by the German Government, and the third, who shall act as President, by agreement between the Reparation Commission and the German Government, or failing such agreement, by the President for the time being of the Permanent Court of International Justice.[1]

Before giving a final decision and without prejudice to the questions at issue, the President, on the request of the first party applying therefor, may order any appropriate provisional measures in order to avoid an interruption in the regular working of the plan and to safeguard the respective rights of the parties.

Subject to any decision of the arbitrators to the contrary the procedure shall be governed by the provisions of the Convention of The Hague of October 18, 1907, on the pacific settlement of international disputes.

Clause 2.

The German Government declares :

(*a*) That it recognises that the Transfer Committee is free, subject to the conditions of the Report of the Experts, to employ the funds at its disposal in the payment for deliveries on customary commercial conditions of any commodities or service provided for in the programmes from time to time prescribed by the Reparation Commission after consultation with the Transfer Committee or by the Arbitral Commission provided for in paragraph (*d*) below, including in particular coal, coke and dyestuffs and any other commodities specially provided for in the Treaty of Versailles, even after the fulfilment of the Treaty obligations in regard to these commodities.

(*b*) That it recognises that the programmes laid down by the Reparation Commission, after consultation with the Transfer Committee, or by the Arbitral Commission provided for in paragraph (*d*) below, for deliveries to be made under ordinary commercial conditions, shall not be subject, as regards the nature of the products, to the limitations fixed by the Treaty of Versailles for the deliveries which the Reparation Commission can demand from Germany thereunder ; but they shall be fixed with due regard to the possibilities of production in Germany, to the position of her supplies of raw materials and to her domestic

[1] By an exchange of letters dated May 30 and June 4, 1925, respectively, the Reparation Commission and the German Government agreed that the Arbitral Commission should be composed of 5 members appointed for 5 years, of whom one should be nominated by the Reparation Commission, the second by the German Government and the three others by agreement in each case between the Reparation Commission and the German Government, or, failing such agreement, by the President of the Permanent Court of International Justice. It was agreed, further, that two of the latter three members must be nationals of a state or states neutral during the late war and that the third, who is to fill the office of president, must be a citizen of the United States of America. The jurisdiction of the Arbitral Commission was left unchanged.

requirements in so far as is necessary for the maintenance of her social and economic life and also with due regard to the limitations set out in the Experts' Report.

(*c*) That it will facilitate as far as possible the execution of the programmes for all deliveries under either the Treaty or the Experts' Report by means of commercial contracts passed under ordinary commercial conditions ; and that, in particular, it will not take, nor allow to be taken, any measure which would result in deliveries being unobtainable under ordinary commercial conditions.

The Allied Governments on their side each undertake so far as it is concerned to prevent as far as possible the re-exportation of the deliveries received from Germany, except in accordance with the provisions of Article V of Annex 6 of the Experts' Report.

(*d*) The German Government further declares that it agrees to the following additional provisions in regard to the fixation and execution of programmes for the deliveries of the undermentioned products after the fulfilment of the Treaty obligations in regard to such products :

(1) In default of agreement as regards the programmes of deliveries of these products, either between the members of the Reparation Commission, or between the Reparation Commission acting unanimously and the German Government, programmes which take due account of ordinary commercial custom shall be laid down for periods to be determined by the Special Committee referred to in clause 3 of this agreement by an Arbitral Commission consisting of three independent and impartial arbitrators. The members of this Arbitral Commission shall be appointed in advance for a definite period by agreement between the Reparation Commission acting unanimously and the German Government, or, in default of agreement, by the President for the time being of the Permanent Court of International Justice at The Hague. The Chairman of the Commission shall be a citizen of the United States of America.

(2) In laying down the programmes, the Arbitral Commission shall take into account the possibilities of production in Germany, the position of her supplies of raw materials and her domestic requirements in so far as necessary for the maintenance of her social and economic life, and also of the conditions set out in the Experts' Report, nor shall it exceed the limits fixed by the Transfer Committee with a view to the maintenance of the German exchange.

(3) The decision of the Arbitral Commission fixing the programmes shall be final.

(4) The Allied Governments and nationals shall make every effort to obtain the delivery of the full amounts fixed by these programmes by means of direct commercial contracts with the German suppliers.

(5) If any Allied Government considers that it or its nationals have not been able to make commercial contracts to the full amount of the programme owing to measures of wilful discrimination or wilful obstruction on the part of the German Government or its nationals, it may submit a reasoned claim to the Arbitral Commission, and the Commission after hearing the parties shall decide, as a matter of equity, taking into account the conditions referred to in paragraph (2) above, whether there have in fact been measures of wilful discrimination or wilful obstruction on the part of the German Government or of German suppliers.

(6) In the event of the Arbitral Commission deciding this question in the affirmative, it shall require the German Government to ensure the delivery of such quantities as it shall decide, and under such conditions, particularly as regards price, as it shall fix.

(7) Any disputes which may arise as to the interpretation of the decisions of the Arbitral Commission shall be submitted to it for final judgment.

(8) Nothing in this clause shall affect in any way the powers of the Transfer Committee as set out in the Experts' Report.

The above procedure will apply to the following products.

(1) Coal, coke and lignite briquettes;

(2) Sulphate of ammonia prepared by synthetic processes and other synthetic nitrogenous products. These last-named products can only be called for simultaneously with synthetic sulphate of ammonia and up to a quantity corresponding to the proportion in which these products are manufactured as compared with sulphate of ammonia in the same period of manufacture.

(3) Products referred to in paragraph 5 of Annex VI of Part VIII of the Treaty of Versailles (English text) with the exception, as regards chemical products, of specialities manufactured by a single "Concern".

As regards the products falling under (3), the special provisions of paragraph (*d*) will cease to apply on the 15th August, 1928.

As regards the products falling under (2) and (3) above, the Special Committee provided for in clause 3 will draw up a more detailed list. For certain among them, it may fix maximum quantities as regards either weight or value: it may also exclude certain of them, if it is shown that they are indispensable for the protection of German national economy.

Clause 3.

The German Government agrees to the appointment of a special Committee, not exceeding six members, composed of an equal number of Allied and German representatives, who shall be appointed by the Reparation Commission and the German Government respectively, with the power in the event of difference to co-opt an additional member of neutral nationality to be chosen by the Allied and German members in agreement or in default

of agreement to be appointed by the Reparation Commission. This Committee will be charged with the duty of:

(1) Determining the procedure for placing orders and the conditions for carrying out deliveries in kind so as to ensure the satisfactory working of such deliveries, adhering as closely as possible to ordinary commercial usage.

(2) Examining the best means of ensuring the fulfilment of the undertakings to be given by the German Government in accordance with Clause 2, paragraphs (*c*) and (*d*), of this agreement, in particular by providing for the reference to arbitration of any disagreements which may arise thereon between the interested parties, the decision of the arbitrator or arbitrators being binding on such parties.

(3) Examining the best means of applying the provisions of the Experts' Report relative to the limitation of deliveries to those which are not of an anti-economic character, and to recommend the measures to be taken against any persons who may infringe the prohibition against re-exportation of deliveries.

The members of the Committee may be assisted by such experts as they may consider necessary.

The work of this Committee is not in any way to delay the bringing into operation of the Experts' Plan, and its decisions are not to encroach in any way on the powers of the Transfer Committee to be set up under that Plan. Its decisions must accordingly before being carried out be approved by the Reparation Commission, and by the Transfer Committee, in so far as the latter is concerned. It is understood that the conclusions of this Committee will not be modified without the consent of the German Government.

Clause 4.

If differences of opinion should arise between the Transfer Committee and the German Government on any of the following points relating to the execution of Article VI of Annex 6 of the Experts' Report, viz:

(1) The inclusion of any particular class of property in the list;

(2) Any modification in the list;

(3) The scope of any class so included, or

(4) The measures to be taken to secure that investments to be purchased by this procedure shall not be of a temporary character,

such difference shall be referred, at the request of either party, to an arbitrator (who, if the German Government so desire, shall be a national of a country not interested in German reparation payments) to be chosen by agreement between the two parties, or in default of agreement to be nominated by the President for the time being of the Permanent Court of International Justice at The Hague. The arbitrator shall decide whether any claim made or objection raised is justified or not, and in so doing shall in particular give consideration to the principles set out in Article VI, viz: (1) that the investment must not be of a temporary character,

and (2) that the German Government is required to have due regard to the necessity for making maximum payments to its creditors but is also entitled to have regard to maintaining its control of its own internal economy.

The Allied Governments agree that the Transfer Committee should only transfer marks for purchases under the operation of the said Article VI if and when the accumulated funds exceed the amounts which the Bank of Issue will accept as short term deposits.

Clause 5.

If the Transfer Committee is equally divided in regard to the question whether concerted financial manœuvres have been set on foot within the meaning of Article VIII of Annex 6 of the Experts' Report, the question shall be referred to an independent and impartial arbitrator, who shall hear the views of each of the members of the Committee and decide between them. The arbitrator shall be a financial expert selected by the members of the Transfer Committee in agreement, or, in default of an agreement, by the President for the time being of the Permanent Court of International Justice at The Hague.

On all other questions, if the Transfer Committee is equally divided, the Chairman shall have a casting vote.

If the funds at the disposal of the Agent General for Reparation Payments are at any time accumulated in Germany up to the limit of 5 milliards of gold marks referred to in paragraph (*a*) of Article X of Annex 6 of the Experts' Report, or such lower figure as may be fixed by the Transfer Committee under paragraph (*b*) of that Article, and the Committee has, by a majority, decided that concerted financial manœuvres within the meaning of Article VIII of that Annex have not taken place, or that certain measures to defeat manœuvres contemplated in that Article should not be taken, any member of the minority of the Committee may, within eight days, appeal against such decision to an arbitral Tribunal, whose decision on the matters before them shall be final. The arbitral Tribunal shall consist of three independent and impartial financial experts, including a citizen of the United States of America, who shall act as Chairman, such experts to be selected by the Committee unanimously, or, failing unanimity, to be appointed by the President for the time being of the Permanent Court of International Justice at The Hague.

Clause 6.

If any Government interested (Allied or German) considers that a defect exists in the technical working of the Experts' Plan so far as it relates to the collection of German payments or the control of the securities therefor, which can be remedied without affecting the substantial principles of that Plan, it may submit the question to the Reparation Commission, which will transmit it forthwith for enquiry and advice to a Committee consisting of the Agent General for Reparation Payments, the Trustee or Trustees for the Railway and Industrial Mortgage Bonds, the Railway Commissioner, the Bank Commissioner and the Commissioner of Controlled Revenues.

This Committee will, as soon as possible, transmit to the Reparation Commission either a unanimous report, or majority and minority reports, including, if necessary, proposals for the removal of any defect to which attention may have been drawn.

If the Reparation Commission arrives at a unanimous decision, it shall invite the German Government to adhere to it, and if an agreement is reached with the German Government on the subject, the necessary measures shall be carried into effect without delay.

If the Reparation Commission is not unanimous, or if any decision taken unanimously is not accepted by the German Government, any of the parties interested may submit the question to a Committee of three independent and impartial experts chosen by agreement between the Reparation Commission deciding unanimously and the German Government, or, in default of such agreement, by the President for the time being of the Permanent Court of International Justice at The Hague. The decision of this Committee shall be final.

It is understood that this provision shall not apply to any question in regard to the disposal of the funds paid to the account of the Agent General for Reparation Payments, or to any other matter which falls solely within the competence of the Transfer Committee.

Done at London the 30th day of August, 1924, in a single copy which will remain deposited in the archives of His Britannic Majesty's Government, which will transmit a certified copy to the Reparation Commission for inclusion in the Agreement of August 9, 1924, and to each of the signatory Governments.

BN. MONCHEUR.
EYRE A. CROWE.
N. A. BELCOURT.
JOSEPH COOK.
J. ALLEN.
E. H. WALTON.
DADIBA MERWANJEE DALAL.
SAINT-AULAIRE.
D. CACLAMANOS.
TORRETTA.
HAYASHI.
NORTON DE MATTOS.
RADU T. DJUVARA.
GAVRILOVITCH.
STHAMER.

Annex III

Agreement between the Allied Governments and the German Government regarding the conditions precedent to the operation of the Experts' Plan, London, August 30, 1924.

The Royal Government of Belgium, the Government of His Britannic Majesty (with the Governments of the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, and India), the Government

of the French Republic, the Government of the Greek Republic, the Royal Government of Italy, the Imperial Government of Japan, the Government of the Portuguese Republic, the Royal Government of Roumania and the Royal Government of the Serb-Croat-Slovene State, of the one part,

and the Government of the German Republic, of the other part,

Animated with the desire to bring into being as soon as possible, as regards matters affecting them, the plan presented to the Reparation Commission on April 9, 1924, by the First Committee of Experts appointed by it on November 30, 1923, " to consider the means of balancing the budget and the measures to be taken to stabilise the currency of Germany, " approved by the Commission and accepted by each of the interested Powers,

Have resolved to conclude an agreement for this purpose, and, therefore, the undersigned duly authorised have agreed as follows:—

Article 1.

A. The Experts' Plan of April 9, 1924, will be considered as having been put into execution, except as regards measures to be taken by the Allied Governments, when the Reparation Commission has declared that the measures prescribed by it in its decision No. 2877 (4) of July 15, 1924, have been taken, that is to say:—

(1) That Germany has taken the following measures:—

(*a*) The voting by the Reichstag in the form approved by the Reparation Commission of the laws necessary to the working of the Plan, and their promulgation.

(*b*) The installation with a view to their normal working of all the executive and controlling bodies provided for in the Plan.

(*c*) The definitive constitution, in conformity with the provisions of the respective laws, of the Bank and the German Railway Company.

(*d*) The deposit with the Trustees of certificates representing the railway bonds and such similar certificates for the industrial debentures as may result from the report of the Organisation Committee.

(2) That contracts have been concluded assuring the subscription of the loan of 800 million gold marks as soon as the Plan has been brought into operation and all the conditions contained in the Experts' Report have been fulfilled.

B. The fiscal and economic unity of Germany will be considered to have been restored in accordance with the Experts' Plan when the Allied Governments have taken the following measures :—

(1) The removal and cessation of all vetoes imposed since January 11, 1923, on German fiscal and economic legislation ; the re-establishment of the German authorities with the full powers which they exercised in the occupied territories before January 11, 1923, as regards the administration of customs and taxes, foreign commerce, woods and forests, railways (under the conditions

specified in Article 5), and, in general, all other branches of economic and fiscal administration; the remaining administrations not mentioned above will operate in every respect in conformity with the Rhineland Agreement; the formalities regarding the admission or re-admission of German officials will be applied in such a manner that the re-establishment of the German authorities, in particular the customs administration, may take place with the least possible delay; all this without other restrictions than those stipulated in the Treaty of Versailles, the Rhineland Agreement and the Experts' Plan.

(2) The restoration to their owners of all mines, cokeries and other industrial, agricultural, forest and shipping undertakings exploited under Allied management or provisionally leased by the occupying authorities since January 11, 1923.

(3) The withdrawal of the special organisations established to exploit the pledges and the release of requisitions made for the working of those organisations.

(4) The removal, subject to the provisions of the Rhineland Agreement, of restrictions on the movement of persons, goods and vehicles.

(5) In general, the Allied Governments, in order to ensure in the occupied territories the fiscal and economic unity of Germany, will cause the Inter-Allied Rhineland High Commission to proceed, subject to the provisions of the Rhineland Agreement, to an adjustment of the Ordinances passed by the said Commission since January 11, 1923.

Article 2.

The Experts' Plan will be put into execution with the least possible delay. For this purpose the measures indicated in Article 1 will be taken as rapidly as possible; in particular, the laws necessary for the working of the Plan will be promulgated immediately after they have been voted.

Article 3.

(1) Every effort shall be made to bring the Experts' Plan into full operation not later than October 22, 1924.

(2) On September 2, 1924, at the latest, the Reparation Commission ought to be in a position to announce that the German laws necessary for the working of the Plan have been promulgated in the terms approved by it, and also that the Agent General for Reparation Payments has taken up his duties.

(3) Within five weeks (35 days) from the date of this first announcement (*i.e.*, not later than October 7, 1924), the Commission should be in a position to announce that the other measures prescribed in its decision of July 15, 1924, mentioned in Article 1, have been fulfilled.

The Reparation Commission shall have power if necessary to advance these dates if circumstances permit, or to postpone them so far as may be deemed indispensable for the complete fulfilment of the above provisions.

The French and Belgian Governments undertake to fulfil within a fortnight after the date of the second announcement (*i. e.*, by October 22, 1924), the programme laid down in Article 1 for the restoration of Germany's fiscal and economic unity. They will notify the Reparation Commission of such fulfilment. The decision that the programme has been fully executed will be taken by the Reparation Commission.

Article 4.

(*a*) As soon as the first announcement referred to in Article 3 (2) has been made (*i. e.*, on September 2, 1924), and during the transition period between the first and second announcements (*i. e.*, between September 2 and October 7, 1924), without waiting for the complete execution of the measures prescribed by the Reparation Commission in its decision of July 15, 1924, the French and Belgian Governments, being desirous of restoring in a large measure Germany's fiscal and economic unity as soon as possible, will take the following steps :—

Eight days after the first announcement (*i. e.*, September 10, 1924) the levy of duties on the eastern customs line (*i. e.*, the customs barrier between occupied and unoccupied Germany) will cease.

Twenty days after the first announcement (September 22), and earlier if possible, the Allied authorities will reduce as far as possible the restrictions imposed since January 11, 1923, on the movements of persons, goods and vehicles, especially between occupied and unoccupied Germany. Within the same period the French and Belgian Governments will have abolished the said eastern customs line and will apply solely the legislation and tariffs in force in unoccupied Germany to collections and charges of all kinds levied by them in the occupied territories, as well as to the régime for external trade, except so far as concerns the Franco-Belgian Railway Régie, which will continue to apply its own tariffs.

(*b*) The aforesaid Governments will continue to levy the collections and charges thus adjusted, but will hand over to the Agent General for Reparation Payments the receipts accruing to them after the first announcement (September 2, 1924) from the application of the new régime, including the net profits from the Franco-Belgian Railway Régie, but less the monthly deduction of a lump sum of two million gold marks to cover the cost of collection during the transition period.

(*c*) On its side the German Government will pay over to the Agent General for Reparation Payments during the transition period such monthly instalments as, added to the receipts above provided for, shall place at his disposal each month an amount equal to one-twelfth of the first annuity under the Experts' Plan, less the estimated receipts during the month from the operation of the British Reparation Recovery Act or corresponding measures which may be adopted by the other Allied Governments and the paper marks supplied to the armies of occupation. It is understood that the monthly burden to fall upon Germany during the tran-

sition period shall be one-twelfth of the first annuity of the global payment incumbent on Germany, as such global payment is defined in Section XI of the Experts' Plan ; to such monthly burden is to be added each month during the transition period the two millions of gold marks mentioned above.

(*d*) Payments towards the above-mentioned monthly sums will be made every ten days.

The first payment by Germany will take place on the date of the first announcement (September 2, 1924).

The first payment by the French and Belgian Governments will be made ten days later (September 12, 1924).

The first and second payments by Germany will amount to twenty million gold marks each. The third payment will consist of the balance of the payment to be made by Germany during the first month.

The subsequent payments by Germany shall be fixed by the Agent General for Reparation Payments and shall be such as to place at the disposal of the Agent General during each period of ten days one-third of the monthly instalment stipulated above, taking into account the payments made by the French and Belgian Governments and the receipts from the Reparation Recovery Acts, etc.

The payments by the French and Belgian Governments will only fall due in so far as the German Government has on its part effected its payments.

(*e*) With the resources thus placed at his disposal the Agent General for Reparation Payments shall provide for the payment of reparation and other Treaty charges during the transition period, in conformity with the decisions as to distribution which will be taken by the Allied and Associated Governments.

In particular he shall place at the disposal of the interested Governments the sums necessary :

(1) To ensure the complete financing of all agreements concerning deliveries in kind continued or entered into by them or by their representatives during the transition period, including the cost of the transport of the said deliveries, as provided by the Treaty of Versailles.

(2) To cover the working expenses of mines and cokeries under Allied management, including the cost of transport to the frontiers.

As a consequence of the above provisions and in order that the period during which German payments are made at the rate prescribed for the first annuity shall not exceed one year, the period corresponding to the first annuity in the Experts' Plan will be reduced by a period equal to that of the transition period, and the second annuity will begin immediately thereafter (*i. e.*, September 2, 1925).

Article 5.

Upon the second announcement (October 7, 1924), the railway system of the Reich will be transferred to the new company contemplated by the Experts' Plan. As from that date the operation

of all the lines now worked by the Deutsche Reichsbahn will pass to the said company. As from a fortnight after the second announcement (October 22, 1924), the lines now operated by the Régie will be worked on account of the company under the control of the Railway Organisation Committee.

As soon as the present agreement has been signed, the Organisation Committee will place itself in communication with the Régie in order to arrange the details of the transfer. The actual transfer from the Régie to the Company will be made step by step under the control of the Organisation Committee with as little delay as is compatible with an orderly transfer. It shall be completed within a period of six weeks (by December 7, 1924), the Organisation Committee, however, having authority to grant extensions of time for the arrangement of details.

Article 6.

The detailed measures to be applied and the machinery to be set up in order to carry out the provisions of Articles 1B, 2, 3 and 4 (*a*) will be studied by technical conferences between the representatives of the interested Allied authorities and the German departments concerned. These conferences will begin at Coblenz and Düsseldorf immediately after the London Conference.

The measures to be applied as well as transitional measures shall be put into force in the occupied territories in the customary form.

Article 7.

In order to bring about mutual conciliation and in order to wipe out the past to the utmost possible extent, the Allied Governments and the German Government have agreed on the following stipulations, it being understood that, as regards future incidents, the jurisdiction and legislation of Germany, notably in the matter of the security of the State, and the jurisdiction and the legislation of the occupying authorities, notably in the matter of their security, will respectively follow their normal course in conformity with the Treaty of Peace and the Rhineland Agreement,

(1) No one shall, under any pretext, be prosecuted, disturbed or molested or subjected to any injury, whether material or moral, either by reason of acts committed exclusively or principally for political reasons or by reason of his political attitude in the occupied territories from January 11, 1923, up to the putting into force of the present agreement, or by reason of his obedience or disobedience to orders, ordinances, decrees or other injunctions issued by the occupying authorities or the German authorities respectively and relating to events which have taken place within the same period, or by reason of his relations with the said authorities.

(2) The German Government and the Allied Governments concerned will remit all sentences and penalties, judicial or administrative, imposed for the above facts from January 11, 1923, up to the putting into force of the present agreement. It is understood that fines or other pecuniary penalties, whether judicial or administrative, already paid will not be reimbursed.

(3) The provisions of paragraphs (1) and (2) do not apply to crimes committed against the life of persons and resulting in death.

(4) The offences to which the amnesty provided for in the stipulations of paragraphs (1) and (2) does not apply and which are at the present moment subject to the jurisdiction of the Occupying Authorities by reason of the creation of special organisations which are to be suppressed under the terms of the present agreement, will be transferred to the German tribunals.

(5) The Governments concerned will each take, so far as they are concerned, the measures necessary to assure the fulfilment of this article. If need arise, this fulfilment will be amicably arranged by the Governments concerned, and, if necessary, by means of mixed commissions set up by common agreement.

Article 8.

German-Allied Commissions of Arbitration, similar to those appointed in 1920, charged with the duty of deciding any disputes which the change of régime may give rise to between Allied merchants and the German authorities, shall be set up by the Governments concerned.

Article 9.

The suppression of the Bad-Ems sub-committee on October 22, 1924, shall not prejudice the full execution of Articles 264 to 267 of the Treaty of Versailles.

Article 10.

All disputes which may arise between the Allied Governments or one of them on the one side and Germany on the other side with regard to the present agreement shall, if they cannot be settled by negotiation, be submitted to the Permanent Court of International Justice.

Article 11.

The present agreement, of which the French and English texts are both authentic, shall come into force from the moment of signature.

Done at London the 30th day of August, 1924, in a single copy which will remain deposited in the archives of His Britannic Majesty's Government, which will transmit certified copies to each of the Parties.

BN. MONCHEUR.
EYRE A. CROWE.
N. A. BELCOURT.
JOSEPH COOK.
J. ALLEN.
E. H. WALTON.
DADIBA MERWANJEE DALAL.
SAINT-AULAIRE.
D. CACLAMANOS.
TORRETTA.
HAYASHI.
NORTON DE MATTOS.
RADU T. DJUVARA.
GAVRILOVITCH.
STHAMER.

Annex IV

Agreement between the Allied Governments to amend Annex II to Part VIII of the Treaty of Versailles, London, August 30, 1924.

The Royal Government of Belgium, the Government of His Britannic Majesty (with the Governments of the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, and India), the Government of the French Republic, the Government of the Greek Republic, the Royal Government of Italy, the Imperial Government of Japan, the Government of the Portuguese Republic, the Royal Government of Roumania and the Royal Government of the Serb-Croat-Slovene State,

Anxious to provide for the complete fulfilment, so far as they are concerned, of the plan presented to the Reparation Commission on April 9, 1924, by the First Committee of Experts appointed by it on November 30, 1923, " to consider the means of balancing the budget and the measures to be taken to stabilise the currency of Germany ", the said plan being approved by the Commission and accepted by each of the interested Powers, and

Having resolved to conclude an agreement for this purpose, the Undersigned, duly authorised, have agreed as follows:

Article 1.

The Governments represented upon the Reparation Commission acting under Paragraph 22 of Annex II to Part VIII (Reparation) of the Treaty of Versailles will modify the said Annex II by the introduction of the following paragraphs 2A and 16A, and by the amendment of paragraph 17 as set out below.

Paragraph 2A. " When the Reparation Commission is deliberating on any point relating to the report presented on April 9, 1924, to the Reparation Commission by the First Committee of Experts appointed by it on November 30, 1923, a citizen of the United States of America appointed as provided below shall take part in the discussions and shall vote as if he had been appointed in virtue of Paragraph 2 of the present Annex.

" The American citizen shall be appointed by unanimous vote of the Reparation Commission within thirty days after the adoption of this amendment.

" In the event of the Reparation Commission not being unanimous, the appointment shall be made by the President for the time being of the Permanent Court of International Justice at The Hague.

" The person appointed shall hold office for five years, and may be re-appointed. In the event of any vacancy the same procedure shall apply to the appointment of a successor.

" Provided always that if the United States of America are officially represented by a delegate on the Reparation Commission, any American citizen appointed under the provisions of this

paragraph shall cease to hold office and no fresh appointment under these provisions shall be made as long as the United States are so officially represented."

*Paragraph 16*A. "In the event of any application that Germany be declared in default in any of the obligations contained either in this part of the present Treaty as put into force on January 10, 1920, and subsequently amended in virtue of Paragraph 22 of the present Annex, or in the Experts' Plan dated April 9, 1924, it will be the duty of the Reparation Commission to come to a decision thereon. If the decision of the Reparation Commission granting or rejecting such application has been taken by a majority, any member of the Reparation Commission who has participated in the vote may within eight days from the date of the said decision appeal from that decision to an arbitral commission composed of three impartial and independent persons whose decision shall be final. The members of the arbitral commission shall be appointed for five years by the Reparation Commission deciding by a unanimous vote, or failing unanimity by the President for the time being of the Permanent Court of International Justice at The Hague. At the end of the five-year period or in case of vacancies arising during such period the same procedure will be followed as in the case of the first appointments. The president of the arbitral commission shall be a citizen of the United States of America."

Paragraph 17. "If a default by Germany is established under the foregoing conditions, the Commission will forthwith give notice of such default to each of the interested Powers and may make such recommendations as to the action to be taken in consequence of such default as it may think necessary."

Article 2.

In accordance with the provisions of the Experts' Plan, sanctions will not be imposed on Germany in pursuance of paragraph 18 of Annex II to Part VIII (Reparation) of the Treaty of Versailles unless a default within the meaning of Section III of Part I of the Report of the said Committee of Experts has been declared under the conditions laid down by the said Annex as amended in conformity with this agreement.

In this case the signatory Governments, acting with the consciousness of joint trusteeship for the financial interests of themselves and of the persons who advance money upon the lines of the said plan, will confer at once on the nature of the sanctions to be applied and on the method of their rapid and effective application.

Article 3.

In order to secure the service of the loan of 800 million gold marks contemplated by the Experts' Plan, and in order to facilitate the issue of that loan to the public, the signatory Governments hereby declare that, in case sanctions have to be imposed in consequence of a default by Germany they will safeguard any specific securities which may be pledged to the service of the loan.

The signatory Governments further declare that they consider the service of the loan as entitled to absolute priority as regards any resources of Germany so far as such resources may have been subjected to a general charge in favour of the said loan and also as regards any resources that may arise as a result of the imposition of sanctions.

Article 4.

Any dispute between the signatory Governments arising out of Articles 2 or 3 of the present agreement shall, if it cannot be settled by negotiation, be submitted to the Permanent Court of International Justice.

Article 5.

Unless otherwise expressly stipulated in the preceding articles of this agreement all the existing rights of the signatory Governments under the Treaty of Versailles read with the report of the experts referred to in Article 2 are reserved.

Article 6.

The present Agreement, of which the French and English texts are both authentic, shall come into force from the moment of signature.

Done at London, the 30th day of August, 1924, in a single copy, which will remain deposited in the archives of His Britannic Majesty's Government which will transmit certified copies to each of the parties.

BN. MONCHEUR.
EYRE A. CROWE.
N. A. BELCOURT.
JOSEPH COOK.
J. ALLEN.
E. H. WALTON.
DADIBA MERWANJEE DALAL.
SAINT-AULAIRE.
D. CACLAMANOS.
TORRETTA.
HAYASHI.
NORTON DE MATTOS.
RADU T. DJUVARA.
GAVRILOVITCH.

2. Agreement amending Annex II to Part VIII of the Treaty of Versailles, London, August 30, 1924.

The undersigned, duly authorised to that effect, have agreed as follows :

The Governments of Belgium, France, Great Britain, Italy, Japan and the Serb-Croat-Slovene State, being the Governments represented on the Reparation Commission, unanimously decide, acting under

paragraph 22 of Annex II to Part VIII (Reparation) of the Treaty of Versailles, to modify the said Annex II by the introduction of the following paragraphs 2 A and 16 A, and by the amendment of paragraph 17 as set out below :

Paragraph 2 A.—" When the Reparation Commission is deliberating on any point relating to the report presented on April 9, 1924, to the Reparation Commission by the First Committee of Experts appointed by it on November 30, 1923, a citizen of the United States of America appointed as provided below shall take part in the discussions and shall vote as if he had been appointed in virtue of Paragraph 2 of the present Annex.

" The American citizen shall be appointed by unanimous vote of the Reparation Commission within thirty days after the adoption of this amendment.

"In the event of the Reparation Commission not being unanimous, the appointment shall be made by the President for the time being of the Permanent Court of International Justice at The Hague.

" The person appointed shall hold office for five years, and may be re-appointed. In the event of any vacancy the same procedure shall apply to the appointment of a successor.

" Provided always that if the United States of America are officially represented by a delegate on the Reparation Commission, any American citizen appointed under the provisions of this paragraph shall cease to hold office and no fresh appointment under these provisions shall be made as long as the United States are so officially represented ".

Paragraph 16 A.—" In the event of any application that Germany be declared in default in any of the obligations contained either in this part of the present Treaty as put into force on January 10, 1920, and subsequently amended in virtue of paragraph 22 of the present Annex, or in the Experts' Plan dated April 9, 1924, it will be the duty of the Reparation Commission to come to a decision thereon. If the decision of the Reparation Commission granting or rejecting such application has been taken by a majority, any member of the Reparation Commission who has participated in the vote may within eight days from the date of the said decision appeal from that decision to an arbitral Commission composed of three impartial and independent persons whose decision shall be final. The members of the arbitral commission shall be appointed for five years by the Reparation Commission deciding by a unanimous vote, or failing unanimity by the President for the time being of the Permanent Court of International Justice at The Hague. At the end of the five-years period or in case of vacancies arising during such period the same procedure will be followed as in the case of the first appointments. The president of the arbitral commission shall be a citizen of the United States of America. "

Paragraph 17.—" If a default by Germany is established under the foregoing conditions, the Commission will forthwith give notice of such default to each of the interested Powers and may make

such recommendations as to the action to be taken in consequence of such default as it may think necessary".

This decision shall be notified to the Powers signatory of the Treaty of Versailles and to the Reparation Commission.

London, August 30, 1924.

Signed: MONCHEUR.
SAINT-AULAIRE.
EYRE A. CROWE.
TORRETTA.
HAYASHI.
GAVRILOVITCH.

3. Law of August 30, 1924, concerning the London Conference.

(Translation from the Reichsgesetzblatt II of August 30, 1924, page 289.)

The Reichstag has passed the following law, which is hereby published with the consent of the Reichsrat:

§ 1.

The agreements contained in the Annexes to the Final Protocol of the London Conference of August 16, 1924, in so far as they have already been signed by Germany or are to be signed under the terms of the Final Protocol on August 30, 1924, are accepted.

The Final Protocol together with its Annexes is published hereinafter.

§ 2.

The Finance Minister of the Reich is empowered to raise a loan of 800 million gold marks.

§ 3.

The Government of the Reich is empowered to take the necessary measures, in order that the certificates specified in Annex III § 1 figure A 1d of the Final Protocol for

(*a*) 11 milliard gold marks of bonds of the German Railway Company,

(*b*) 5 milliard gold marks of bonds in accordance with the Industrial Charges Law

may be handed over as from this day.

The Administration of the Public Debt of the Reich will represent the Government in connection with the issue of the certificates.

§ 3a.

In order that the execution of the Experts' Report, which forms the basis of the agreements reached at the London Conference, may not be imperilled or impeded, the efforts of the Government of the Reich shall be directed to securing

(*a*) that the areas which have been occupied over and above those defined in § 428 of the Treaty of Versailles are evacuated as quickly as possible and at any rate to a considerable extent before August 15, 1925;

(*b*) that the Cologne zone is under any circumstances definitely evacuated by January 10, 1925;

(*c*) that a guarantee is obtained that in future the limits laid down in the Agreement of June 28, 1919, concerning the military occupation of the Rhineland with regard to the powers of the occupying authorities are not infringed, and in particular that the inhabitants of the Rhineland are not restricted in the exercise of their human and civil rights.

§ 4.

The Government of the Reich will determine the date of the coming into force of this law.[1]

Berlin, August 30, 1924.

The President of the Reich:
EBERT.

The Chancellor of the Reich:
MARX.

4. Decree concerning the entry into force of the Laws for the execution of the Experts' Report, dated August 30, 1924

(Translation from the Reichsgesetzblatt II, of August 30, 1924, p. 358.)

In virtue of Article 72 of the Industrial Charges Law (Industriebelastungsgesetz) of August 30, 1924 (Reichsgesetzblatt II, p. 257), and Article 4 of the Law concerning the London Conference of August 30, 1924 (Reichsgesetzblatt II, p. 289), the Reich Government decrees:

Sole Paragraph.

The Industrial Charges Law (Industriebelastungsgesetz) of August 30, 1924, and the Law concerning the London Conference, of August 30, 1924, shall come into force on September 1, 1924.

Berlin, August 30, 1924.

MARX.
The Chancellor of the Reich.

Dr. LUTHER.
The Reich Minister of Finance.

HAMM.
The Reich Minister for Economic Affairs.

[1] See Decree of August 30, 1924, on this page below.

5. Decision No. 2900 of the Reparation Commission, September 1, 1924.[1]

The Commission declared that the German laws necessary for the working of the Experts' Plan had been voted and promulgated in the terms approved by the Commission and that the Agent General for Reparation Payments had taken up his duties.

It was decided that the above decision should be brought officially to the notice of the Allied Governments signatory to the London Agreement.

6. Decision No. 2951 of the Reparation Commission, October 13, 1924.[2]

The Reparation Commission took note:

(1) That Germany had taken the following measures:

(a) The voting by the Reichstag in the form approved by the Reparation Commission of the laws necessary to the working of the Plan, and their promulgation;

(b) The installation with a view to their normal working of all the executive and controlling bodies provided for in the Plan;

(c) The definitive constitution, in conformity with the provisions of the respective laws, of the Bank and the German Railway Company;

(d) The deposit with the Trustees of certificates representing the Railway Bonds and such similar certificates for the Industrial Debentures as might result from the report of the Organisation Committee.

(2) That contracts had been concluded assuring the subscription of the loan of 800 million gold marks as soon as the Plan had been brought into operation and all the conditions contained in the Experts' Report had been fulfilled.

The General Secretary was authorised to make public the above decision.

It was understood that this decision should be brought officially to the notice of the Governments signatory to the London Agreement, of the Agent General for Reparation Payments and of the Banking Groups entrusted with the placing of the loan of 800 million gold marks, provided for in the Report of the First Committee of Experts.

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[1] First announcement of the Reparation Commission as provided by Article 3, § (2), of Annex III to the Agreement of August 9, 1924, (see p. 151).

[2] Second announcement of the Reparation Commission as provided by Article 1 A and Article 3, § (3), of Annex III to the Agreement of August 9, 1924, (see pp. 150—151).

7. Decision No. 2973 of the Reparation Commission. October 28, 1924.[1]

In accordance with the last paragraph of § 3 of Article 3 of Annex II B to the Agreement of August 9th, 1924, the Reparation Commission decided unanimously to declare that the programme for the restoration of Germany's fiscal and economic unity laid down in Article 1 of Annex II B to the Agreement of August 9th, 1924, had been completely fulfilled on October 28th, 1924.

8. Agreement between the Reparation Commission and the German Government, September 8, 1926, amending Annex I to the Agreement of August 9, 1924.

Agreement

between the Reparation Commission

acting in its own behalf and after having consulted the interested Governments, of the one part, represented by Sydney A. Armitage-Smith, its General Secretary, duly authorised for this purpose

and the German Government

of the other part, represented by Dr. Reinhold, Finance Minister of the German Reich, duly authorised for this purpose :

The Contracting Parties

being desirous of facilitating the working of the Experts' Plan and of eliminating factors of uncertainty connected with the supplementary budgetary contributions payable by Germany on account of the years 1926-27 and 1927-28, the amounts of which are contingent upon the aggregate yield of the controlled revenues :

Hereby agree

to amend Annex I to the Agreement between the Reparation Commission and the German Government of August 9, 1924 (which said Annex is hereinafter called the Control Protocol), in the following particulars :

I.

Article 2 of Chapter I of the Control Protocol is modified by substituting for the two contingent annual contributions therein provided for a single fixed payment, to be made in the following manner :

[1] Third announcement of the Reparation Commission as provided by the last paragraph of Article 3, § (3), of Annex III to the Agreement of August 9, 1924, (see p. 152).

The amount to be paid from the German budget to the Agent General for Reparation Payments in the year 1926-27, as already provided in Article 1 of Chapter I of the Control Protocol, shall be increased by the further sum of 300 million gold marks. The payment of this additional sum shall be effected by instalments. as follows :

Date of Payment	*Gold Marks*
On October 5, 1926.....	18,000,000
On November 5, „	18,000,000
On December 5, „	18,000,000
On January 5. 1927.....	18,000,000
On February 5, „	18,000,000
On March 5, „	18,000,000
On April 5, „	18,000,000
On May 5, „	34,800,000
On June 5, „	34,800,000
On July 5, „	34,800,000
On August 5, „	34,800,000
On August 31, „	34,800,000
Total....	300,000,000

II.

The foregoing amendment to Chapter I of the Control Protocol shall not operate however to accelerate or otherwise affect the accumulation of the reserve fund of 100 million gold marks provided for by Article 4 of Chapter III of the Control Protocol and said reserve fund shall be accumulated in the same manner and in the same amounts stipulated by the terms of the Control Protocol prior to the adoption of the present amendment to Chapter I.

III.

In all other respects the Experts' Plan and the London Agreement remain unchanged.

IV.

The present Agreement, done in duplicate copies, in English, French and German, shall come into force upon the date of its signature by the undersigned duly authorised representatives of the parties, or if it be not signed by said duly authorised representatives on the same date, then upon the later of the two dates upon which the signatures are respectively affixed.

Paris, September 8, 1926. Berlin, September 2, 1926.

For the Reparation Commission: *For the German Government:*

Signed: SYDNEY A. ARMITAGE-SMITH. Signed: Dr. REINHOLD.

9. Agreement between the Commissioner of Controlled Revenues and the German Government, September 2, 1926, relative to Articles 3 and 4 of Chapter III of Annex I to the Agreement of August 9, 1924.

Agreement

between the Commissioner of Controlled Revenues,

Sir Andrew McFadyean,

and the German Government,

represented by the Finance Minister of the Reich, Dr. Reinhold.

The Contracting Parties hereby agree to substitute for the existing practice concerning the blocking, remitting, and release of the Controlled Revenues, as established under Articles 3 and 4 of Chapter III of Annex I to the Agreement between the Reparation Commission and the German Government of August 9, 1924 (which Annex is hereinafter called the Control Protocol) the following procedure:

(1) The Oberfinanzkassen and the ten principal Zollkassen will transmit daily to the account of the Commissioner at the Reichsbank the total receipts of the Customs duties and the taxes on tobacco, sugar and beer collected on the day preceding. The ordinary Zollkassen will continue to remit their receipts as hitherto to the Oberfinanzkassen. If, exceptionally, an Oberfinanzkasse or one of the ten principal Zollkassen is unable to remit daily to the Commissioner's account the whole of the controlled receipts, no portion may be used for any other purpose, and the receipts must remain blocked until remitted to the Commissioner's account. With regard to the receipts from the Alcohol Monopoly by the Zollkassen the existing remittance practice is maintained. The Branntweinmonopolverwaltung will also continue the present system.

(2) Each calendar month on receiving from the Girokontor of the Reichsbank the credit advice which carries his balance above the amount of the sums payable from the German Budget in such month under the Protocol the Commissioner will at once instruct the Girokontor to transfer to the account of the Reichshauptkasse the excess of his balance over such amount, and to transfer to the account of the Reichshauptkasse daily thereafter until and including the last working day of the month all sums credited to his account from remittances of the Oberfinanzkassen, the ten principal Zollkassen and the Branntweinmonopolverwaltung. The Commissioner reserves the right, in the event of further sums becoming payable from the controlled revenues, either under paragraph 5 of Chapter III or otherwise under the Protocol, to withdraw these instructions at any time by written notice to the Girokontor and to instruct the Girokontor to hold blocked in his account all incoming sums until an amount has accrued sufficient for all current liabilities, and until he gives notice that transfers to the account of

the Reichshauptkasse may be resumed. The remitting offices may not, during such periods or for any reason whatever, suspend or delay the transmission of their receipts of controlled revenues.

(3) All the certified tabular statements of receipts and all information regarding receipts supplied hitherto under the terms of the Protocol will continue to be furnished without alteration of procedure, but the monthly advance certified statements sent by the remitting offices under the Finance Ministry's circulars of November 13, 1924, and December 13, 1924, may be discontinued.

(4) The Oberfinanzkassen and the ten principal Zollkassen will commence to remit daily to the Commissioner's account on October 1, 1926. With their remittances they will send postcard advices consecutively numbered to the Commissioner, and they will notify the last number of such advices in each month. No periodical summaries of remittances need be sent, but receipts in respect of different quarters must be separately and distinctly remitted, and at the beginning of each quarter, and until the receipts of the previous quarter have been completely transmitted, the remittance advices must bear an indication of the quarter to which the accounts belong.

(5) This Agreement becomes effective with the signing of the Agreement between the Reparation Commission and the German Government respecting the compounding of the supplementary budgetary contributions for the Reparation years 1926-27 and 1927-28, and either party may on March 1, 1928, give notice to terminate it. In the case of such notice being given the Agreement shall terminate on that day in August, 1928, on which the amount of the Commissioner's balance at the Reichsbank exceeds the amounts payable from the German Budget in that month. Sums credited to the Commissioner's account in excess of these amounts shall be transferred by him to a special blocked account opened by the German Government, and shall be re-transferred to him before September 20, 1928. If notice to terminate has not been given on the date specified, notice may be given at any time on or after September 1, 1928, to terminate this Agreement after six months under the same conditions as for notice on March 1, 1928.

In the interpretation of this Agreement the English and the German text shall both be authentic.

Berlin, September 2, 1926.

The Commissioner of	*For the German Government:*
Controlled Revenues:	Signed: Dr. REINHOLD.
Signed: ANDREW McFADYEAN.	*Finance Minister of the Reich.*

PART III.

THE NEW BANK AND THE NEW CURRENCY.

1. Report of the Organisation Committee for the Bank

(1) Covering letter.

Committee for the Bank.
Reparation Commission.

11 Lombard Street, London, E. C. 3.
18th July, 1924.

Sir,

I beg to enclose herewith:

1 copy of the Draft Bank Law;
1 „ „ „ Draft "Satzung" of the Reichsbank;
1 „ „ „ Draft Law concerning the liquidation of Rentenbank Notes;
1 copy of the Draft Currency Law (Metal);
1 copy of a Report signed by Dr. Schacht and Sir Robert Kindersley re Bank Law;
1 copy of a Report signed by Dr. Schacht and Sir Robert Kindersley regarding Rentenbank Law;
1 copy of a Letter addressed by the Reichsbank to Dr. Schacht and Sir Robert Kindersley giving certain undertakings.

I remain, Sir,

Your obedient Servant,

Signed: R. M. KINDERSLEY.

(2) Report of the Organising Committee for the purpose of taking preliminary steps for the Corporate Organisation of a Bank of Issue in Germany.

Secretary General, Reparation Commission.

In accordance with the Report of the First Committee of Experts of April 1924 our Committee proceeded to take the requisite steps for the organisation of a Bank of Issue for Germany. In the first instance it was necessary to decide whether the existing Reichsbank should be reorganised on a basis which included the various stipulations laid down by the Report, or whether a new Bank of Issue should be created.

In order that we might have at our disposal the requisite material on which to base a decision, Mr. Kettle of Messrs. Deloitte, Plender, Griffiths and Co., was instructed to prepare a confidential report as to the present financial position of the Reichsbank, and Dr. Schuster, K. C., was consulted as to the legal position.

Mr. Kettle reported that the situation of the Reichsbank was one of liquidity and that its financial situation was sound, while Dr. Schuster reported that all the necessary steps for the reorganisation of the Reichsbank could be carried through by a special law without liquidation.

In view of the fact that the organisation of the Reichsbank with its 95 main branches and 350 sub-branches was in the opinion of our Committee necessary to any new Bank of Issue which might be formed, our Committee decided that the best method of securing the object which the Experts had in view with the least possible disturbance to the national life in Germany and with the greatest advantage to all concerned would be to reorganise the existing Bank, allotting new shares to the existing shareholders as foreshadowed in the plan and issuing further capital.

It then became necessary to fix with the Reich the terms upon which the 50 years' currency monopoly to the Bank should be granted, and negotiations were therefore opened between the Reichsbank and the Reich.

In considering these adjustments as detailed below, it has to be borne in mind:

(1) That the Reich is entitled each year to fix the proportion of the profits of the Bank for the preceding year which shall be allotted to it, without consultation with the shareholders;

(2) That the Reich is entitled to acquire the shares of the Bank (at earliest January 1926) upon payment of the nominal amount of the share capital, viz., 180 million marks plus one half of the amount of general reserve, viz., 80 million marks. This sum is in paper marks and therefore it would appear that the Reich could take over the Bank for a nominal sum.

The Reich, however, stated that they did not intend to act inequitably in the matter.

In consideration of the granting of a currency monopoly to the Bank for fifty years the Reichsbank and the Reich came to the following arrangement:

(1) The Bank to assume the entire liability for the repayment of Dollar Treasury Notes (252 million gold marks due in April 1926);

(2) In liquidation of the existing Debt of the Reich to the Reichsbank, amounting to 235 million gold marks, the Bank agreed to the following arrangement: 100 million gold marks to take the form of a permanent loan at 2 per cent to be repaid only on termination of the currency concession, 135 million gold marks to take the form of a loan bearing interest at 3 per cent, and repayable in equal instalments over a period of fifteen years. The hidden reserves of the Bank to which the Reich would become entitled, should it have decided to exercise its right to acquire the shares of the Bank, will be sufficient to supply funds wherewith to assume these obligations.

The shareholders have been informed at their General Meeting held in Berlin on Saturday, July 5th, that they will receive one new

share for each two old shares—or 90 million gold marks in exchange for 180 million marks of existing capital. This arrangement will require confirmation by the shareholders in special meeting, but our Committee has no doubt that it will be accepted.

Our next task was to frame the laws and statutes embodying as far as possible the terms of the Experts' Report.

(*a*) As regards the Bank of Issue.
(*b*) As regards the Rentenbank.
(*c*) As regards the metal currency.

A copy of these laws is attached hereto together with the Statutes of the Bank of Issue. The German member of our Committee has kept the German Government fully informed as to our decisions and as to the contents of these documents.

To deal with the Reichsbank Law, it will be found that while following broadly the stipulations of the Experts' Reports certain modifications have been introduced, which our Committee believe, while not seriously changing the fundamental provisions, will be beneficial to the conduct of the affairs of the New Bank.

It will perhaps be more convenient to deal with those sections of Annex 1 of the Experts' Reports which have been in any way departed from, commencing at the beginning.

Section II. Clause a.

(2) In view of the high rate of interest prevailing in Germany and the very limited amount of money available for investment in that country, our Committee think there may be some difficulty in securing subscriptions in Germany for 300 million of new shares. Furthermore, our Committee consider that a capital of 300,000,000 in all, *i. e.*, 210 million of new capital will suffice, more especially in view of the fact that the Reichsbank has already succeeded in securing one half of the Dollar Treasury Bills outstanding—thus relieving the Bank of a liability in gold amounting to 126 millions—and the Bank hopes to secure a large portion of the balance of these Bills before the date of maturity in 1926.

The Bank has also been enabled to strengthen its reserve position by the purchase of a considerable amount of foreign "Devisen" since March 31st last.

A letter is attached hereto signed by the President of the Bank and a member of the Reichsbank Direktorium undertaking to do what is necessary to exchange the shares of the Gold Discount Bank for shares of the Reichsbank and to proceed with the liquidation of the Gold Discount Bank.

Section III.

As already explained our Committee have decided on a reorganisation of the present Reichsbank by legislation—and in view of the fact that some of the provisions detailed for inclusion in the Statutes have been included in the law, they have been omitted from the Statutes.

Section V and VI. Clause b.

This section provides for the countersigning by the President of the Reich of the appointments of the President and the members of the Managing Board.

Our Committee have decided that it is unnecessary that the appointments of the members of the Managing Board should bear this signature.

With regard to the President, it has been agreed that his patent of appointment should bear the signature of the President of the Reich, but in order to avoid a deadlock it is provided that, should the President of the Reich decline to sign the patent of a President of the Bank duly elected by the General Board, another President shall be elected and in case of a refusal to sign the patent in this case then a third person shall be elected, and the patent for the person thus elected shall be legal and binding without the signature of the President of the Reich.

Section VI. Clause e.

As the present President and Managing Board of the Reichsbank considered it desirable, it was decided to make it obligatory instead of optional for the shareholders to appoint a Central Committee for purposes of consultation only with the Managing Board.

Section VII. Clause c.

The Organisation Committee will select the first German members of the General Board.

Section VII. Clause k.

This has not been included as a special clause in view of the fact that the Board in any case possess such powers.

Section VIII. Clause a.

Our Committee have fixed the term of office of the Commissioner at four years. As this is a whole time appointment and necessitates residence in Germany, it was thought necessary to fix a reasonably long term.

Section VIII. Clause e.

In view of the fact that the Reichsbank possesses 95 branches and some 350 sub-branches and that it is necessary for the former to carry substantial reserves of notes, it was not found possible to draw a clause in the bill which would literally fulfil the wording of the Report, and at the same time would enable the Bank to be carried on in conformity with the business requirements of the community.

Our Committee wishes to call your attention to Section 27 of the Draft Law of the Bank, which they feel accomplishes as far as possible what the Experts had in view and at the same time enables the issue department of the Bank to function satisfactorily.

Section IX. Clause b.

In view of the fact that it has been the custom of the Reichsbank for very many years to discount the bills of small traders carrying

only two signatures, not only in Berlin but through the medium of its many branches, and that it is impossible in a large number of such cases for a third signature to be obtained, and in view of the experience of the Reichsbank in this business which goes to prove that its losses in this connection have in the past been infinitesimal, our Committee have provided that 33$^{1}/_{3}$ per cent of the total of bills discounted may bear two signatures only.

Section IX. Clause g.

A slight modification was made in regard to the purchase of stocks and shares, but only in so far as this may be necessary for the ordinary business relations with the customers of the Bank.

Section XIII.

A considerable alteration has been found necessary in regard to the reserves prescribed by the Experts. A gold reserve of 33$^{1}/_{3}$ per cent against notes and a gold reserve of 12 per cent against deposits was provided for in the plan, but for various reasons this provision has been found by our Committee to be undesirable and in fact very difficult to arrange in practice, in view of the possibility of an accumulation of 2 milliards of deposits by one customer of the Bank, viz., Agent General for Reparation Payments. Furthermore, it should be noted that the German banks do not keep any deposits with the Reichsbank other than such amounts as may be necessary for the purpose of clearing their payments throughout Germany. These are known as "Giro" accounts and the Reichsbank is the sole agency for such clearings. These deposits, which are kept purely for transfer purposes inside Germany, vary to a very small degree as will be seen from the following average figures for five years prior to the War:

1909	304
1910	294
1911	304
1912	320
1913	313

while for February, April and June of this year they have been 202, 262 and 233 respectively, the diminution compared with pre-war days being of course due to restriction of credit and trade. The other deposits belong to the Reich, the Railways, Post Office, Communes and States. In view of the extreme fluctuations which may take place in these deposits and especially in those of the Agent General it is a matter of great difficulty to provide an automatic system of gold reserve and the attempt to do so may have serious consequences. Our Committee therefore feel that in order to carry out the Experts' intention of preserving a strong currency situation, the best method is to increase the legal reserve against notes from 33$^{1}/_{3}$ per cent to 40 per cent, to abandon the legal reserve against deposits, and to increase the reserve of bills referred to in paragraph (f) Clause XIII, from 30 per cent to 40 per cent against all deposits with the exception of those of the Government and the Agent General.

It is not difficult to foresee furthermore that, if a gold reserve against deposits had to be built up as the Agent General's deposits increased, foreign exchange, which would otherwise be available for transfer of reparation funds, would have to be apportioned to the Reichsbank to strengthen its reserve. We therefore strongly recommend this alteration as being the most likely to maintain the soundness of the currency, to fulfil the intentions of the Experts and to suit German conditions.

In clause (*d*) of this Section the form of the legal reserve is prescribed. Our Committee have agreed that instead of "gold and demand deposits made payable in gold or its equivalent", this reserve should consist of gold and/or "Devisen" of which not less than $^3/_4$ shall be in gold; a detailed description of the word "Devisen" is given in Section 28 of the Bill.

Section XIV.

On examining closely the probable profits of the Bank our Committee have come to the conclusion that in view of the high rate of discount existing and which must probably continue for some years in Germany, and taking into consideration that in later years the reserves of the Bank will in all probability have been considerably strengthened, the profits of the Bank may possibly be very large. We have, therefore, provided that, after payment of 8 per cent dividend on capital and provision of statutory and other reserves, the additional profit should be divided in the following manner:

First	50 million	50 %	to shareholders	and	50 %	to Reich.
Second	50 „	25 %	„	„	„	75 %	„	„
Any balance		10 %	„	„	„	90 %	„	„

The whole of the profit accruing to the Reich will be utilised for the acceleration of the redemption of Rentenbank notes until the entire circulation has been redeemed after which the profit will go to the credit of the Reich budget.

Section XV.

We are presenting another report regarding the liquidation of the Rentenbank.

Section XVI.

We have already dealt with the question of Dollar Treasury Bills.

Our Committee beg to draw attention to certain clauses in Annex No. 6 of the Experts' Report with regard to cooperation of the Bank in making transfer of funds and controlling of foreign exchange. Our Committee are of opinion that these and other matters regarding the Bank referred to in such Annex should not be included in the special law dealing with the Bank.

Berlin, July 11th, 1924.

Signed: R. M. KINDERSLEY.
HJALMAR SCHACHT.

(3) Redemption of Rentenbank Notes.

Attached hereto is a copy of a proposed law providing for the gradual withdrawal of Rentenmark notes (See Section XV of Annex 1 of the Report of the First Committee of Experts and also Appendix to Annex 1).

In dealing with this matter our Committee have been compelled to depart considerably from the lines laid down in the Experts' Report. In the first place it will be within your recollection that in Annex 5 of the Report of the First Committee of Experts provision is made for the creation of 5 milliards of gold marks of bonds and debentures on industrial concerns in Germany, which shall be secured by a first mortgage on the plant and property of the respective concerns making them.

Our Committee therefore considered that it was desirable that these industrial concerns, which are mortgaged under the law referred to above, should be released from the mortgage imposed upon them under the original Rentenbank Law, and in coming to this decision we understand we are acting in accordance with the intentions of the Organising Committee of the Industrial Mortgages.

It was decided therefore by the Rentenbank Board with the concurrence of our Committee to increase the mortgages remaining from 4 per cent of the value of the property mortgaged to 5 per cent and to reduce the interest from 6 per cent to 5 per cent. The capital value of the remaining mortgages will then stand at a figure estimated at between 1,700 and 2,000 million gold marks. The bulk of the mortgages will be on agricultural lands. The Government guarantee a minimum income of 60 millions from this source. The amount of Rentenbank notes at present issued is in round figures as follows:

To the Government:

1,200 millions.

To the Reichsbank for general credits:

800 millions.

To other Banks of Issue for general credits:

70 millions.

With regard to the Government debt of 1,200 millions the Reich has agreed with the Rentenbank to pay a sum of 60 million gold marks per annum for 10 years to the Rentenbank, all of which is to be applied to the redemption of Rentenbank notes outstanding.

The 870 millions issued to the Reichsbank and other banks of issue have been lent in the main by these institutions to agriculture and they hold in their portfolios a corresponding amount of security in the shape of bills, etc. It was anticipated by the Experts' Committee that these advances would be rapidly liquidated and a corresponding amount of Rentenbank notes would be withdrawn with the proceeds. Our Committee were informed, however, that owing to the very grave crisis through which agriculture is now passing and which had increased in its intensity during the last three months, the larger portion of these credits could not be met at maturity and that it would, in the opinion of those responsible.

take three years before these portfolios could be liquidated. It was therefore decided that the Reichsbank portfolio of 800 millions should be handed to the Rentenbank, who would accept it in payment of the 800 million Rentenmarks advanced to the Reichsbank, and that the Rentenbank would collect the sums due as early as possible, but in any case not later than three years from June 30th, a minimum of 33⅓ per cent of the total to be collected in each of the first two years and the entire proceeds to be applied towards the redemption of Rentenbank notes. The private note Banks will also liquidate the amount of 70 millions over a period of three years.

These 870 millions will therefore be self-liquidating within three years. There remains then to be liquidated the 1,200 millions of Government debt to the Rentenbank.

The income of the Rentenbank (apart from the 870 millions) will therefore be as follows:

From the Government	60 millions
From mortgages, say 1,700 millions at 5 per cent	85 „
Total .... p. a.	145 millions

and in addition all the profits payable to the Reich from the Reichsbank.

Our Committee was further informed that, owing to the destruction as a result of inflation of the farmers' cooperative societies and the Loan and Mortgage Banks, the agriculturists were without any means of securing credit except through the Reichsbank, in spite of the fact that those who previously had mortgaged their land had been enabled to repay those mortgages in paper marks. In other words security for loans was available, but there were no lenders, and it was strongly urged that some portion of the assets and income of the Rentenbank should be applied to relieve this situation. In view of the anxiety of our Committee to do all in their power

(1) To assist the liquidation of the Reichsbank's portfolio of agricultural credits,

(2) To place agriculture in a position to continue to pay the interest on the mortgages imposed upon them under the Rentenbank law by helping to supply credit facilities,

(3) To avoid in future the granting of credit by the Reichsbank to the agricultural interests,

the following arrangement was entered into:

The Rentenbank to concentrate on the liquidation of the Rentenbank notes and not to undertake any other business. An agricultural credit institute to be formed to which the Rentenbank would transfer the balance standing to its credit on September 30th next and which is estimated at a minimum of 150 millions.

In addition, each year after 60 millions per annum from the proceeds of interest on the mortgages has been applied to redemption of Rentenbank currency, an amount not exceeding 25 millions in any one year shall be paid to the credit institute from the mortgage receipts if available.

It will be seen, therefore, that for the redemption of the 1,200 million Rentenbank notes loaned to the Government there will be available each year

(1) From the Government: 60 millions.

(2) From the mortgage interest: 60 millions.

making 120 millions in all, while in addition there will also be available the Government's share of the profits from the Reichsbank, which may be considerable, and any amount above 85 millions which may be received from the interest on the mortgages.

The Reichsbank has agreed also that the profits to be received during the first three years from the 870 million of credits, which profits are estimated to amount to 110 millions minimum, shall be applied during these three years to the redemption of the Rentenbank currency on the understanding that this sum is repaid to the Reichsbank after all Rentenmarks have been redeemed. At the end of three years therefore there should have been redeemed a minimum of:

(1)	870 millions	from credits.	
(2)	110 „	„	profits on credits.
(3)	180 „	„	Government payments.
(4)	180 „	„	interest on mortgages.
Total	1,340 millions.		

and in addition an amount from the Bank profits estimated at not less than 100 millions.

Our Committee are of opinion that the redemption shall be completed in seven years.

Signed: R. M. KINDERSLEY.
July 11, 1924.

Signed: HJALMAR SCHACHT.
Berlin, July 11, 1924.

(4) Letter from the Reichsbank.

Reichsbank-Direktorium.

34-36 Jägerstr., Berlin SW 19.
7th July, 1924.

To the Organisation Committee for the Bank:

Sir Robert Kindersley.
Dr. Hjalmar Schacht.

We hereby beg to state that after the re-organisation of the Reichsbank in accordance with the Dawes plan we shall take all necessary steps to acquire all the shares of the German Gold Discount Bank by exchanging them against new Reichsbank shares and to liquidate all transactions of the Gold Discount Bank.

As to the Dollarschätze we shall consider whether it will be in the interests of the Reichsbank either to acquire the outstanding balance by purchase in the open market or by redemption in dollars at maturity or to offer to the owners of the Dollarschätze new Reichsbank shares in exchange of an equivalent amount of Dollarschätze.

Reichsbank-Direktorium.
Signed: HJALMAR SCHACHT.
VOCKE.

(5) Letter from the President of the Reichsbank.

The President
of the Reichsbank-Direktorium.

Berlin, July 24, 1924.

To: The General Secretary of the Reparation Commission, Paris.

The Chairman of the Kriegslastenkommission has informed me that the General Secretariat of the Reparation Commission wished to ask various questions regarding the text of the Draft Bank Law transmitted to it by Sir Robert Kindersley. If the draft in the possession of the General Secretariat is dated July 12, it should be noted that this is not the final and last draft of the bill established in agreement with Sir Robert Kindersley. The final draft is dated July 17 and is identical with that of July 17 transmitted to you by the Chairman of the Kriegslastenkommission. The amendments in the last and authentic draft of July 17, as compared with the previous draft, are as follows:

(1) In paragraph 27, 1, the words "the issue" (*die Ausgabe*) have been inserted in the German text between the words "the preparation and completion" (*die An- und Ausfertigung*) and "the withdrawal" (*Einziehung*). The corresponding words "the issue" have been added in the English text.

(2) In the last paragraph but one of paragraph 27, the final draft contains the words "..... which shall be placed on the notes under the Commissioner's directions" (..... *der nach Anweisung des Kommissars angebracht werden soll*). The English text has been correspondingly altered.

(3) Paragraph 28(*a*) now reads: "A cover of at least 40 % in gold or "devisen" (gold cover), (of which not less than three quarters shall be in gold)" (*Eine Deckung von mindestens 40 % in Gold oder Devisen (Golddeckung); diese Deckung muß zu mindestens drei Vierteln aus Gold bestehen*). The English text has been correspondingly altered.

(4) In conclusion I should like to point out that paragraph 6, 2, of the German text "*Präsident und Mitglieder müssen deutsche Reichsangehörige sein*" does not appear as a special paragraph in the English text, but is wrongly printed as the last sentence of paragraph 1 (The President and the members must be German nationals), with the result that the English text of paragraph 6 contains one paragraph less than the German text.

I have got into direct communication with Sir Robert Kindersley and have transmitted to him a copy of this letter to the General Secretariat of the Reparation Commission. Further, I have taken the necessary steps in order that the Draft Bank Law may be reprinted and sent to the Reparation Commission. It will then contain the rectification mentioned in paragraph 4 above and certain printer's errors in the English text will be corrected.

Signed: SCHACHT.
President of the Reichsbank.
Member of the Organisation Committee.

(6) Letter from an Allied member of the Organising Committee.

11 Lombard Street, London E. C. 3.

30th July 1924.

Andrew McFadyean Esq., Reparation Commission,
131, Champs-Élysées, Paris.

My dear McFadyean,

I received a letter from Dr. Schacht dated 24th July in which he encloses a copy of his letter to you of the same date.

I merely write these lines to say that I confirm the contents of Dr. Schacht's letter.

Yours sincerely,

Signed: R. M. KINDERSLEY.

(7) Letter from the General Secretary.

Reparation Commission.
General Secretariat.

August 9, 1924.

To the Reparation Commission.

I submit herewith to the Commission the following amendments which have been handed to me by Sir Robert Kindersley, and with which Dr. Schacht has expressed his agreement to Sir Robert affecting paragraphs 35 and 36 of the Draft Law on the Bank.

"Paragraph 35 (new)."

"In addition to the cover of its note issue as provided for in paragraph 28, the Bank shall at all times hold assets in the form of demand deposits in Germany and abroad, cheques on other Banks, bills of exchange running for a period of not more than 30 days, or in loans payable from day to day, representing a total amount of not less than 40 % of the Bank's deposit liabilities other than those referred to in paragraph 26."

"The present paragraph 35 becomes 36."

"The existing paragraph 36 is deleted."

A. McFADYEAN,
General Secretary.

(8) Note from the General Secretary.

August 22, 1924.

The following discrepancies exist between the text of the draft Bill concerning the Coinage Act produced by the Committee on Organisation, dated Berlin, July 28, and the text as previously distributed which was dated Berlin, July 11, and London, July 18.

The two Members of the Organising Committee are in agreement with those alterations and have stated that the texts of July 28 are the authoritative ones.

Bill concerning the Coinage Act.

(1) In section 2, sub-section (2) *(German text),* the word "Beträge" instead of the word "Werte."

(2) *(German text)* paragraph 2 of section 5 shows a more correct text.

(3) Section 6 *(both texts):* concerning silver coins the decision as to which deviations are permissible as to weight and fineness has been conferred on the Minister of Finance with the assent of the Reichsrat.

(4) *(Both texts)* section 9, paragraph 2 states that only the offices of the Reich postal service are considered as offices of the Reich; but not so the offices of the German Reich Railway.

(5) *(Both texts)* section 20. The decision on which date the Act will take force has been conferred in full agreement with the other Laws on the Reich Government. The English text contains also some alterations of quite an unimportant character simply making a better translation.

Bill concerning the redemption of Rentenbank Notes.

The following alterations, having only the object of putting the German and English text into perfect agreement, have been made by the Committee on Organisation to the text dated Berlin July 28.

English text:

Article 3, English text "mortgager" instead of "entrepreneur."

Article 4, last line of second paragraph: after the words "subsequently made" insert "under Article 2 of the second emergency taxation order for the taxation of capital."

Article 4, second line of paragraph 4: instead of "persist even if the lowest bid has been neglected" read "continue to be effective even if it has not been taken into account when fixing the lowest bid."

Same paragraph, last line: instead of "mortgages" read "capital of the mortgages."

Article 7, sub-heading (*c*), instead of "falling" read "due."

Article 9, second line, after "Rentenmarks" insert "in any one year."

Same Article, last line but one; instead of "decreed" read "provided for."

Article 10, instead of "Rentenbank" read "Reichsbank."

Article 11, second paragraph, first line, suppress the words "any of these."

Article 11, third paragraph, second line, after the words "loan granted" insert "to the former."

Same paragraph, last line but one, instead of "closure" read "liquidation."

Article 16, second line, instead of "closure" read "liquidation."

Article 19, first line, instead of "property" read "assets."

As the Commission was not aware of these alterations when it accepted the draft laws on August 9 in London, the Secretariat would like to know if any member of the Commission has any objection to them before having them inserted in the definite text which is ready to be sent to the printers.

Signed: DENIS.

2. Bank Law of August 30, 1924.

(Translation from the Reichsgesetzblatt II, of August 30, 1924, p. 235.)

The Reichstag has adopted the following law, which, with the assent of the Reichsrat, is hereby promulgated.

The following provisions shall henceforth apply to the legal condition of the Reichsbank which was incorporated by the Bank Law of March 14, 1875:

I.—Privilege of the Reichsbank as to Note Issue.

§ 1.

The Reichsbank is a Bank independent of Government control and having the character of a corporate body whose task it is to regulate the circulation of money in the whole area of the Reich, to facilitate the clearance of payments and to provide for the utilisation of available capital.

The seat of the Reichsbank is at Berlin. It is entitled to maintain everywhere within the area of the Reich Branch Establishments (Reichsbank Head Establishments, Reichsbank Establishments and Reichsbank Supplemental Establishments). The Managing Board of the Reichsbank (Reichsbankdirektorium) has to determine these matters as well as the organisation of the Branch Establishments.

§ 2.

The Reichbank has for a period of fifty years the exclusive right to issue banknotes in Germany.

The existing rights as to the issue of banknotes of the "Bayerische Notenbank", the "Württembergische Notenbank", the "Sächsische Bank" and the "Badische Bank" remain unaffected.

The maximum amount up to which the private Note Banks are authorised to issue banknotes may not in the aggregate exceed the amount of 194 million Reichsmarks.

The limit up to which any individual Private Note Bank may issue banknotes shall be determined by a special law which regulates the legal position of these Banks.

The "Rentenbank" may not increase the (aggregate) amount of the "Rentenbank Certificates" issued by it.

The right of the " Gold Discount Bank " to issue notes is rescinded. The notes in circulation on the coming into force of this Law have to be called in and withdrawn. The Managing Board of the "Gold Discount Bank" shall frame the detailed rules relating to this matter.

§ 3.

The banknotes shall be expressed in Reichsmarks. Banknotes for amounts of less than ten Reichsmarks may be issued exclusively with the assent of the Government of the Reich for the purpose of satisfying a transitory trade requirement.

The banknotes of the Reichsbank are, in addition to the Reich gold coins, the only legal tender for an unlimited amount in Germany.

The Reichsbank is bound to call in the whole of its notes hitherto in circulation and to exchange them against Reichsmark notes. A billion marks of the late issue shall be replaced by one Reichsmark. The notes which have been called in shall be destroyed. The detailed provisions as to the calling-in, and as to the periods for the delivery and cancellation of the old notes, shall be fixed by the Managing Board of the Reichsbank.

§ 4.

Foreign banknotes or other non-interest bearing certificates of indebtedness issued to bearer by foreign corporate bodies, partnerships or private individuals may not be used for payment within the area of the Reich, if they are worded as payable in Reich currency either exclusively or concurrently with other determinations of value.

II.—Capital of the Reichsbank.

§ 5.

The Reichsbank has the right to increase its foundation capital up to 400 million Reichsmarks. The Managing Board of the Reichsbank has to take the measures required for the increase of capital, and more particularly to determine the amount of the foundation capital within the limit designated in clause 1, provided always that such original capital shall not be less than 300 million Reichsmarks.

The subcriptions to the new shares must be made in the form of gold or foreign bills at their current gold values—except such shares as may be given in exchange for the existing shares of the Reichsbank, or the shares of the "Gold Discount Bank".

New share certificates shall be issued for the whole of the foundation capital. The owners of the share certificates hitherto used shall, in exchange for the same, receive new share certificates in the proportion to be fixed by the Managing Board of the Reichsbank, the maximum payment in no case to exceed one hundred million marks nominal value.

Each Reichsbank share certificate is of the nominal value of 100 Reichsmarks. The certificates are issued in the shareholders' names.

The particulars as to the form of the share certificates are determined by the "Satzung" (statutes).

The shareholders are not personally responsible for the liabilities of the Reichsbank.

III.—Organisation of the Reichsbank.

A.—Administration.

§ 6.

The Bank shall be administered by the Managing Board of the Reichsbank (Reichsbankdirektorium), which consists of a President as Chairman and the required number of members. In particular the Managing Board shall direct the currency, discount and credit policy of the Bank.

The President and the members must be German nationals.

The resolutions of the Managing Board are passed by simple majority; in the case of an equality of votes the President has the casting vote.

The President is elected by the General Council. Such election requires a majority of at least nine votes out of which at least six votes must be given by German nationals. The President receives a deed of appointment, which has to be signed by the members of the General Council voting as well as by the President of the Reich. The President elect is duly appointed by the delivery of such deed of appointment.

If the President of the Reich refuses to sign the appointment of a person elected, another election shall take place. If the President of the Reich also refuses to sign the appointment of the person then elected, a third election shall take place. In this event the deed of appointment of the President so elected does not need to be signed by the President of the Reich, but is valid and legal without it.

The members, having been approved of by the General Council, are appointed by the President. The approval of the General Council requires the same majority as in the election of the President. The appointment shall be for a term of 12 years, subject always to the condition that on attainment of the age of 65 years a member ceases to hold office.

The term of the first appointed members of the Managing Board shall be as follows: With the exception of the President they shall be divided into 3 groups of which the two first must be equal in number and the third group may be equal in number or less, but in any case as near as possible in number to the first group. The first group shall contain the members youngest in years, the third group the oldest and the second group embracing the remaining members. The members of the first group to be elected for 12 years, the members of the second group to be elected for 8 years and the members of the third group to be elected for 4 years. The same age limit of 65 years shall apply in any circumstances.

The term of office of the President is four years. The President and the members are eligible for re-election.

The election of a new candidate shall not take place without the approval of the candidate by the Managing Board.

On important grounds the President or a member of the Managing Board can be dismissed at any time without prejudice to their contractual rights. The dismissal on important grounds can be given to the President by the General Council with the same majority as provided for in paragraph 4 above, and to a member of the Managing Board likewise by the General Council with the same majority, but not without the President's consent.

§ 7.

The Bank is represented by the Managing Board in all judicial and extra-judicial proceedings. The authority of the Board in legal transactions is to be verified by the official certificate on the part of the Notary of the Managing Board appointed in accordance with § 8.

Any declarations to be made by the Managing Board are binding on the Reichsbank if made by two members of the Managing Board. The declarations of members may be replaced by the declarations of substitutes. Declarations to be made by the Directorates of the Reichsbank Head Establishments and the Reichsbank Establishments are binding on the Reichsbank if made within the ordinary course of business of the Branch Establishment concerned in the matter by both members of the Directorate or by their substitutes.

The provisions of section 232 (1), clauses 2 and 3 of the German Commercial Code shall be applied "mutatis mutandis."

In the case of actions against Reichsbank Head Establishments and Reichsbank Establishments, having relation to the conduct of their business, the Court of the place in which the Branch Establishment has its office, has jurisdiction.

§ 8.

The President, with regard to the Reichsbank Head Establishments, appoints principal legal Banking Advisers and in the case of Reichsbank Establishments appoints Bank Legal Officers, whose sphere of action is determined by the President of the Reichsbank Managing Board.

The President of the Reichsbank Managing Board has power to appoint for the Reichsbank as well as for the Branch Establishments notaries, who must have the qualifications for being appointed as judges; they have official seals. In the case of Branch Establishments the Bank Commissioners and Legal Officers shall as a rule be appointed as notaries.

The documents drawn up by the notaries in matters concerning the Reichsbank shall have the same effect as if they had been drawn up by a Court of Law or by a notary. The notaries have the right in matters concerning the Reichsbank to legalise signatures and to issue certificates proving the authority of the Reichsbank Managing Board and of officials of the Directorates of the Branch Establishments having the statutory power of agency for the Reichsbank as regards legal transactions.

§ 9.

The President appoints the officials in accordance with the proposals of the Managing Board; he determines the distribution of their work and duties in respect of the business of the Bank.

The legal positions of the officials of the Bank are determined by special "regulations relating to officials" to be issued by the Managing Board.

The "regulations relating to officials" shall preserve for the officials of the Reichsbank the rights of Reich Government officials and impose upon them the duties of Reich Government officials. Deviations from the Law concerning Reich Government officials are admissible only so far as they are required for the maintenance of a well-arranged and efficient conduct of the business of the Bank.

Breaches of duties imposed by the "regulations relating to officials" are dealt with in accordance with a disciplinary procedure in accordance with the rules governing the penal procedure against Reich Government officials. In these proceedings the President of the Reichsbank exercises the functions of the Supreme Reich Authority.

The Bank may appoint employees and workmen by contract; the rights and duties of such employees and workmen are determined by the general legal rules and by tariff contracts in force at the date of this Law coming into force. On notice to terminate the tariff contract being given, special house tariff contracts are to be entered into by the Reichsbank.

§ 10.

As regards the President and the members of the Managing Board, the General Council issues the rules relating to salaries, intermediate salaries, pensions and the allowances to dependents on death.

As regards the officials of the Bank the Reichsbank Managing Board issues the rules relating to salaries, intermediate salaries, pensions and the allowances to dependents on death; these rules are to be based on the principles of Reich Law.

A more favourable determination of the salaries of the officials of the Bank in comparison with the salaries of Reich officials is only admissible in so far as such more favourable determination is necessary for the maintenance of a well-arranged and efficient conduct of the business of the Bank.

The regulations relating to the salaries of the Bank officials, as well as any amendments and additions to the same, have to be communicated by the Reichsbankdirektorium to the Reichsregierung before they become operative. In the case of any difference of opinion as regards the admissibility (see above under [3]) of the regulations of salaries between the Reichsbank Managing Board and the Government, the latter may, within four weeks after having received such communication, invoke the judgment of a Court of Arbitration consisting of three persons, one each to be appointed by the respective parties concerned (*i. e.* Government and Reichsbank), the third, who shall be the permanent Chairman, to be nominated by the President of the Reich Court from persons known as being suitable by reason of their experience in such matters.

The application for the judgment of the Court of Arbitration is to be made to the Chairman of the Court of Arbitration. The judgments of the Court of Arbitration are binding upon the Government and the Reichsbank Managing Board. Pending such judgment the rules hitherto observed shall remain in force.

These provisions shall not affect the power of the Reichsbank in any individual case of special service to make special grants having regard to the requirements of the Reichsbank provided such grants shall not in the aggregate exceed 10 % of the total amount applied to the remuneration of officials.

The persons mentioned in paragraphs 1 and 2 above have no claims against the Reich out of their services.

B.—Representation of shareholders.

§ 11.

The General Meeting represents the shareholders. Every shareholder not being under any legal incapacity, who is entered in the registers of the Reichsbank as owner, is entitled to participate in the General Meeting in the manner determined by the "Satzung".

The number of votes to which everyone appearing at the General Meeting is entitled is determined by the nominal amount of the shares represented by him. Every share is entitled to one vote, but more than three hundred votes shall not be united in one hand.

Decisions are taken by simple majority. In the case of an equality of votes the nominal amount of shares is decisive.

§ 12.

In every year a report as to administration is presented to the General Meeting. The General Meeting decides as to the balance sheet and as to the distribution of profits in accordance with this Law.

It decides on changes in the "Satzung" on the proposal of the Reichsbank Managing Board and subject to the consent of the General Council.

§ 13.

There shall be formed with the Reichbank a permanent Committee of the Shareholders (Central Committee) whose consultative opinion the Managing Board may obtain, if they think fit. The members of this Committee shall be elected by the General Meeting of the shareholders, on the proposal of the Managing Board from among German shareholders representing the banks, agriculture, commerce, industry, manual trade and labour.

The "Satzung" shall prescribe the rights and duties of such a Central Committee.

There shall be elected Deputies of the Central Committee for the purpose of consultation in special matters, who may be invited to the meetings of the Managing Board upon such occasions. The "Satzung" shall prescribe the rights and duties of such Deputies.

In the same manner there shall be formed Local Committees at the greater Branch Establishments of the Reichsbank, from among

whom Local Deputies may be elected. The "Satzung" shall prescribe the rights and duties of such Local Committees and Deputies.

C.—General Council.

§ 14.

A General Council of the Reichsbank shall be constituted, consisting of 14 members, seven of whom must be German nationals, while the other members must consist of one British national, one French national, one Italian national, one Belgian national, one American (United States) national, one Dutch national and one Swiss national. The General Council shall have power by a unanimous vote to increase the number of its German members.

§ 15.

The President of the Reichsbank Managing Board is one of the German members and at the same time the Chairman of the General Council.

The term of office of a member of the General Council is for three years with the exception of the President and the Commissioner. During the first period of the existence of the General Council three German members and three foreign members shall serve for the term of one year, two German members and two foreign members for the period of two years and two German members and two foreign members for the period of three years. It shall be decided by ballot at the first meeting of the General Council which members—with the exception of the President and the Commissioner—shall accordingly serve during the shortened term of one or two years. If any person is appointed as President, who did not previously belong to the General Council, such German member shall vacate his membership as has been a member for the longest period. In case of doubt the decision shall be taken by lot.

§ 16.

The German members, with the exception of the President, are elected by such of the shareholders as are German nationals ; in so far as the "Satzung" establishes a right of cooptation, confirmation on the part of the said shareholders takes the place of election.

The special mode of election is determined by the "Satzung".

The Organisation Committee, with the assent of the President, has power to authorise a different mode of election as regards the election of the first German members.

The first foreign members are appointed by the Organisation Committee.

Whenever subsequently a foreign member vacates his office a person of the same nationality as such member shall be elected in his place by the foreign members being members at the date of the election. Unanimity save for one vote shall be required in respect of such election.

Before a foreign member is elected, the General Council shall request the Central Note Issuing Bank of the country whose national is to be elected to express its opinion.

§ 17.

The following classes of persons shall not be elected as members of the General Council :

(*a*) Officials in the immediate service of the German Reich or of any German State ;

(*b*) Persons who receive any payment from the German Reich Government or from the Government of any German State.

The provisions of the first paragraph of this section shall apply correspondingly to the officials of any foreign State and to persons receiving payment from any such State or its Government.

§ 18.

The resolutions of the General Council require a majority of at least ten votes, but a simple majority is sufficient if it includes the votes of the President and the Commissioner. If a member is unable to be present at a meeting, he is at liberty to authorise another member, by registered letter or telegram, to vote on his behalf.

At each of its meetings, at least once every month, the General Council shall examine the reports submitted to it by the President and the Commissioner. It shall decide on the proposals made to it by the President and the Commissioner, provided that these decisions do not encroach upon the rights of administration reserved to the Managing Board.

§ 19.

The General Council shall appoint one of its foreign members or another foreigner who is a national of one of the countries represented on the General Council pursuant to § 14, as Commissioner for the issue of notes. The resolution appointing him requires at least nine votes including at least six foreign votes. The election of a person who is not a member has the effect of causing the vacation of the membership of the member who is a national of the same State as the person elected. The person elected as Commissioner by virtue of such election becomes a member of the General Council. His term of office is four years.

§ 20.

All persons taking part in the business of the Bank as managers, officials or employees, as well as the members of the General Council, the Central Committee and of the Local Committees are under an obligation to observe secrecy as to all matters and arrangements of the Bank coming to their knowledge and especially as to all individual transactions of the Bank and as to the extent of the credits granted, even after the cessation of their employment or of the membership of the General Council, the Central Committee or a Local Committee.

The meeting of the Reichsbank Managing Board, the General Council, the Central Committee and of the shareholders in General Meetings take place in Berlin.

In order to maintain permanent contact as to currency matters and financial policy, the Reichsbank Managing Board is under an obligation to report at regular intervals to the Government of the Reich, or at any time on request of the Government in regard to these matters.

IV.—The Bank's Sphere of Business.

§ 21[1].

The Bank is authorised to undertake the following classes of transactions:

(1) To buy and sell gold and silver in bars or in coins as well as "Devisen."

(2) To discount, buy and sell bills of exchange with a currency of not more than three months and in respect of which three obligees of known solvency are responsible, and also cheques in respect of which three obligees of known solvency are responsible. The requirement of a third signature may be dispensed with in cases in which the safety of the bill of exchange or cheque is secured by a collateral security or in some other manner. But in no case must the amount of the bills of this last category exceed 33 per cent of the total amount of bills discounted by the Bank at any given time. All bills shall relate to bona-fide commercial transactions or to goods.

(3) To grant loans at interest for a period of not more than three months on the security of movable objects ("Lombardverkehr") *i. e*:

(*a*) On the security of gold and silver whether coined or in bars;

(*b*) On the security of fully paid original shares or original preference shares or preferential obligations of German Railway Companies whose Railways are working; or on the security of debentures issued by German Land Credit Banks, being under State supervision; or of German Mortgage Banking Companies (the amount lent not to exceed three quarters of the market value of such debentures), (the following securities being deemed available in the same way as the said debentures: viz., the bonds to bearer of German Public Land Credit Institutes as well as such bonds to bearer of the other hereinbefore mentioned Institutes and Banks which are issued against loans granted to a German Communal Corporation or in consideration of the undertaking of a guarantee by any such Corporation);

(*c*) On the security of bonds to bearer (maturing within a year) of the Reich, of any German State or any German Communal Corporation or on the security of interest-bearing bonds to bearer of which the interest is guaranteed by the Reich or by any German State; but loans against securities enumerated in this clause can be made only to Banks of known solvency, the amount lent not to exceed three quarters of the market value of such securities;

(*d*) On the security of interest-bearing bonds to bearer of foreign States and also on the security of foreign railway debentures guaranteed by a foreign State to the extent of not more than 50 per cent of the market value;

(*e*) On the security of bills of exchange in respect of which the obligees are of recognised solvency, subject to a deduction of at least 5 per cent of their market value;

(*f*) On the security of merchandise stored in Germany to the extent of not more than two thirds of their value;

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[1] Amended by Law of July 8, 1926, see p. 223.

The Bank shall have the power, if specially authorised thereto by the General Council, to accept bonds of the Reich maturing at a distant date as security for loans repayable within three months if two obligees are liable for the loans apart from the security resulting from the pledging of the Bonds (one of the obligees to be a Bank carrying on business in Germany), but subject to the condition that loans, in respect of which bonds of the Reich maturing at a distant date are pledged, may never exceed the amount of the paid-up capital of the Reichsbank and its reserve funds;

(4) To buy and sell bonds of the kind hereinbefore mentioned under 3 (*c*), but only in so far as this shall be necessary for the maintenance of the ordinary business relations with customers of the Bank;

(5) To collect sums of money for account of private persons, institutions and public authorities and, after having received cover for the same, to make payment or transfers through the Branch Establishments or correspondents;

(6) To buy Stock Exchange investments of any kind or gold or silver for the account of others after having in advance received cover in respect thereof and to sell the same after previous delivery to the Bank;

(7) To receive sums of money free of interest either on deposit or Giro account;

(8) To assume the custody and administration of articles of value.

If a person liable as a debtor in respect of a loan granted to him against security of movable articles is in arrears, the Reichsbank is authorised, without having previously obtained judicial authorisation or assistance, to cause the pledged article to be sold publicly by one of its officials or by an authorised auctioneer, or in any case in which the pledged article has a Stock Exchange value or market value, to cause the pledged article to be sold even without publicity by one of its officials or by an authorised broker or in default of any such, by an official having authority to act as auctioneer, at the current price and to recoup itself out of the proceeds in respect of principal, interest and costs. This right is vested in the Bank even as between itself and other creditors of the debtor as well as between itself and the debtor's estate in bankruptcy.

§ 22.

The Reichsbank is under obligation to exchange bar gold at the fixed rate of 1392 Reichsmarks for one pound fine against its notes.

The Bank is authorised, at the expense of the person delivering the gold, to cause such bar gold to be examined and assayed by any technical experts to be appointed by the Bank in that behalf.

§ 23.

The Reichsbank Managing Board is bound from time to time to determine and publish the percentage rates at which it discounts bills or grants loans at interest.

§ 24.

Subject to the stipulation contained in § 21 3 (*b*), the Bank is forbidden to accept bills, to grant loans on the security of land or mines, oilfields or shares except by way of collateral security, and it is also forbidden to buy or sell land, shares or goods except in the case of purchases for the purpose of carrying on the business of the Bank or of the realisation of existing assets.

§ 25.

The Reichsbank is under obligation to accept or make payments for the Reich at the request of the Government authorities by any of its establishments appropriate for that purpose and also to effect transfers without the transmission of money between the various financial establishments of the Reich.

Without prejudice to the rule contained in the fourth paragraph of this section the Bank is authorised to give credit to the Reich for purposes of administration; but in each case for a term not exceeding three months and only up to the maximum amount of one hundred million Reichsmarks. At the end of any business year the Reich must not be indebted to the Bank in any way.

The Reich will entrust the Reichsbank with all banking business concerning the general administration of the Reich. The Reichsbank as a matter of principle is bound to transact such banking business; if the Reichsbank declines a particular transaction the Reich is authorised to have such transaction carried out by another agency. The freedom of the Reich as regards the channels to be utilised for the issuing of loans or Treasury orders shall be preserved; but it is understood that such loans shall be placed mainly through the organisation of the Reichsbank. In any event the Reich shall communicate to the Reichsbank in good time its intentions in regard to all such matters.

The Reichsbank is also authorised to grant credits to the German Reich Post and the German Reich Railway to a reasonable extent for the purposes of their ordinary business up to the aggregate amount of two hundred million Reichsmarks for both. In any such case the rule contained in paragraph 3 is to be applied "mutatis mutandis." The direct financial relations between the Reich Post Office and the Ministry of Finance shall not be affected by the rules contained in this paragraph.

The fulfilment of the tasks mentioned in paragraph 1 as well as the payment of interest and the repayment of loans of the Reich is to be carried out for the general administration of the Reich free of all costs and charges. As regards the other kinds of business mentioned in this paragraph the Reichsbank shall at the utmost charge the same rates as those generally chargeable to the other customers of the Bank. The Bank is however authorised to agree to a reduction of its charges by contract with the Reich.

Except as aforesaid the Bank shall not grant any credits directly or indirectly either to the Reich or to the States or Communes (Unions of Communes) or to foreign Governments.

§ 26.

A separate account will be kept at the Reichsbank for the reparation payments to be made to the Bank. The relations between the authorised representatives of the Reparation Commission in its capacity of a creditor of the amount standing to its credit of the one part and the Bank of the other part, are merely those existing between a Bank and its customers.

The amount standing to the credit of the Reparation Commission shall not without the Bank's consent exceed the amount of 2 milliard Reichsmarks.

V.—Issue of Notes. Cover.

Commissioner for the issue of notes.

§ 27.

The preparation and completion, the issue, the withdrawal and cancellation of banknotes is effected by the note department of the Bank under control of the Commissioner.

The Commissioner shall be empowered and it shall be his essential duty to insist upon the carrying out of such of the provisions contained in the Law and in the "Satzung" as refer to the exercise of the right of issue of notes and the preservation of the cover in gold for the notes in circulation. With that object the Commissioner shall have the right to have furnished to him all statistics and documents which he may deem useful for the accomplishment of his task. He may also, either personally or through his assistants, undertake all investigations in the Bank relevant to the performance of his duty. He may be present at the meetings of the Managing Board.

The daily statistics as to the cover of notes and as to the notes in circulation must be continually submitted to the Commissioner for his examination and approval.

The participation of the Commissioner in the preparation and completion of the notes is evidenced by a special "Completion Control Stamp" which shall be placed on the notes under the Commissioner's directions. Every note put into circulation by the Bank must be marked with this stamp.

The Commissioner and his assistants are bound to observe complete secrecy in respect of all affairs and arrangements of the Bank which have come to their knowledge.

§ 28.

The Bank is compelled to keep at all times in respect of its notes in circulation:

(*a*) A cover of at least 40 % in gold or "Devisen" (gold cover) [of which not less than three quarters shall be in gold].

The expression "gold" within the meaning of this direction connotes bar gold as well as German or foreign gold coins (the pound fine being calculated at 1392 Reichsmarks) in so far as such gold is in the possession of any office of the Bank or deposited with any foreign central note-issuing Bank in a manner to be at all times at the free disposal of the Reichsbank;

"Devisen" are banknotes, or bills of exchange having not more than 14 days to run, cheques and claims due from day to day payable in foreign currency by a bank of known solvency in foreign financial centres. They are to be taken at their gold value for the time being;

(*b*) For the remaining amount discounted bills of exchange or cheques satisfying the requirements specified in paragraph 21.

§ 29.

In exceptional circumstances the cover referred to in § 28 under (*a*) may be reduced on the proposal of the Managing Board by a resolution of the General Council; such a resolution of the General Council requires unanimity except as to one vote.

In the case of such a reduction of the cover extending over more than one "Bank return week" the Bank has to pay to the Reich in respect of the amount by which the prescribed cover of 40 % falls short a percentual note tax computed in accordance with the following directions:

In the case of a cover between 37 and 40 % : 3 % per annum,
" " " " " " " 35 and 37 % : 5 % " "
" " " " " " " 33⅓ and 35 % : 8 % " "

in the case of a cover less than 33⅓ % : 8 % per annum with the addition of one per cent per annum in respect of each one per cent by which the percentage of the reserve falls short of 33⅓ %.

The rate of discount must, in any case in which the cover during a bank return week or during a longer period remains uninterruptedly below 40 %, amount to at least 5 %.

Whenever a note tax is payable the rate of discount shall be raised by at least one-third of the percentage of the tax which is payable, and this increase shall be in addition to the increase of the said rates of discount required for the purpose of satisfying the requirements of the third paragraph of this section.

§ 30.

For the purposes of the assessment of the tax the Reichsbank Managing Board must not later than the tenth of each month deliver to the Reich Finance Minister the data required for the assessment of the tax for the last preceding month. The tax must be paid not later than the end of the month.

§ 31.

The Bank is under obligation to pay its notes to the bearer thereof:

(*a*) At its principal office in Berlin immediately on presentation;

(*b*) At any branch establishment in so far as its available cash and its cash requirements admit of such payment.

Payment at the Bank's option may be made:

(1) In German gold coins of the weight and fineness authorised by law for the time being at their par value;

(2) In gold bars in pieces of not less than 1000 Reichsmarks and not more than 35,000 Reichsmarks at their value in pure

gold, in German gold coins of the weight and fineness authorised by law for the time being;

(3) In cheques or orders to pay in foreign currency equivalent in value to the market value of the currency concerned in the matter as expressed in gold; the "Satzung" enumerates the foreign banks on which the cheques or orders to pay may be drawn. The Reichsbank may in such a case charge a commission. The said commission may however not exceed the amount representing the share of the amount paid in the course of transmission of large sums of gold to the place of business of the foreign bank concerned in the matter, together with interest.

§ 32.

The Bank must make compensation for damaged notes in so far as the bearer either presents a part of the note that is larger than one half of the note or produces evidence showing that the remaining part of the note for which he presents only the half or a smaller part has been destroyed.

The Bank is under no obligation to give compensation for notes which have been destroyed or lost.

§ 33.

Banknotes which are returned in a damaged or soiled state to the office of the Bank or to one of its branch establishments or to an office appointed by the Bank for the payment of banknotes may not be re-issued.

§ 34.

The calling in and withdrawal of notes is effected by the Managing Board which issues special rules relating to these matters and to the cancellation of the notes which have been called in. These rules must be published in the Reich Gazette.

§ 35.

In addition to the cover of its note issue as provided for in § 28, the Bank shall at all times hold assets in the form of demand deposits in Germany and abroad, cheques on other Banks, bills of exchange running for a period of not more than 30 days, or in loans payable from day to day, representing a total amount of not less than 40 % of the Bank's deposit liabilities other than those referred to in § 26.

§ 36.

The Bank must publish the status of its assets and liabilities in accordance with the following rules. The weekly statement must contain:

(1) On the side of the liabilities:
The foundation capital,
The reserve funds,
The amount of the notes in circulation,
The other debts maturing from day to day;
The debts dischargeable after notice has been given;
The other liabilities.

(2) On the side of the assets:

The stock of gold (bar gold as well as German and foreign gold coins, the pound fine being calculated at 1392 Reichsmarks);
The stock of "Devisen" eligible as cover;
Other bills of exchange and cheques;
German token coins;
Notes of other Banks;
Debts covered by pledges (Lombardforderungen);
Stock Exchange securities;
Other assets.

In addition to this there must be a statement showing any liabilities in respect of re-discounted bills of exchange payable in Germany.

In addition to this the Bank must within six months after the end of each business year publish at its own expense in the Reich Gazette a detailed balance sheet of its assets and liabilities as well as the yearly balancing of the Profit and Loss Account. The "Satzung" shall contain the detailed rules relating to the making-up of the balance sheets.

VI.—Distribution of Profits.

§ 37.

20 % of the yearly net profit shall be carried to a reserve fund as long as the amount of such reserve fund is less than 12 % of the amount of the notes of the Bank in circulation computed on the basis of the average of the preceding six months.

Shareholders are entitled to a yearly dividend of 8 %. If in any year the dividend is less than that percentage, the deficiency is to be the first charge on the net profit of the following years after deduction of the amounts which according to law must be added to the reserve fund, unless such deficiency may be made up out of an existing dividend reserve.

The balance of the net profit remaining after payment of the said dividend has to be distributed as follows: 50 % of the first 50 million Reichsmarks falls to the Reich and 50 % to the shareholders, 75 % of the next 50 million Reichsmarks falls to the Reich and 25 % to the shareholders; of the remainder, if any, 90 % falls to the Reich and 10 % to the shareholders. The amounts so allotted to the shareholders may be paid out as an additional dividend or may be used for a special reserve for future dividends created for the purpose of equalisation of dividends.

Any money derived from premia on shares issued by the Bank shall be placed to reserve.

VII.—Liquidation.

§ 38.

After the lapse of the Reichsbank's right to issue banknotes in Germany, the Reich shall be entitled, subject to one year's notice, to dissolve the Reichsbank and to take over the premises belonging to it.

The price at which premises belonging to the Reichsbank on the 1 st January 1925 shall be taken over shall correspond to the market value of such premises on the 1 st January 1925. This price must be determined on during the year 1925 by agreement between the Finance Minister of the Reich and the Reichsbank. If the said parties cannot agree, the price shall be fixed by Court of Arbitration. The said Court of Arbitration shall consist of two representatives of the Reichsbank and two of the Reich and of an umpire to be appointed by the said representatives. If the said representatives cannot agree as to the person of the umpire the said umpire shall be appointed by the President of the "Reichsgericht".

The price for premises acquired by the Reichsbank after January 1, 1925, shall be the purchase price paid by the Reichsbank and in default of any such purchase price the market value of such premises at the date of their having been acquired. As regards the determining of the market value the rules contained in the second paragraph of this section shall be applied " mutatis mutandis."

Before going into liquidation the Reichsbank shall give notice to the Government in good time.

VIII.—Penal Provisions.

§ 39.

Any person who shall unlawfully issue banknotes or any other non-interest bearing certificates of indebtedness payable to bearer, shall be subject to a fine amounting to ten times the amount of the notes or certificates issued by him but not amounting in any case to less than 5,000 Reichsmarks.

§ 40.

Any person who, in disregard of the prohibition contained in § 4, makes use for purposes of payment of foreign banknotes or other non-interest bearing certificates of indebtedness issued to bearer by foreign corporate bodies, partnerships or private individuals expressed as payable in Reich currency either exclusively or concurrently with other determinations of values, shall be subject to a fine of a minimum amount of 50 Reichsmarks. If the person concerned makes a regular trade of such an unauthorised use, a sentence of imprisonment for a term not exceeding one year shall be added to the fine. An attempt to commit the said offence is punishable.

§ 41.

The members of the Managing Board shall each be subject to the following penalties:

(1) If in the publication described by the rules contained in § 36 they shall knowingly misrepresent or veil the position of affairs of the Bank, they shall be punishable with imprisonment for not more than three months;

(2) If the Bank issues notes for a larger amount than the authorised amount, they shall be punishable with a fine equal to ten times the amount of the excess of the issue up to at least 5,000 Reichsmarks each.

§ 42.

Any officials and employees of the Bank who, in reply to an enquiry addressed to them by the President, by the Reichsbank Managing Board, by the General Council or by the Commissioner within their respective powers, shall knowingly make false statements, are punishable with a fine not exceeding 500 Reichsmarks, or with detention except in so far as they are punishable with a severer sentence under any other laws affecting the matter.

§ 43.

In so far as any fines have to be imposed by virtue of this law the fine is to be fixed in gold marks as long as, according to the rules of the German Penal Code, any fine has to be fixed in gold marks. In this respect the gold mark is to be deemed equal to a Reichsmark.

IX.—Concluding and Transitory Provisions.

§ 44.

The "Satzung" of the Reichsbank shall determine the following matters:

(1) The form of the shares in the Reichsbank and the dividend certificates and "talons," relating to the same;

(2) The form to be observed as to the transfer or pledging of share certificates;

(3) The rules as to the public notice to be given in the case of the loss or destruction of share certificates and as to the annulment thereof and as to the procedure in the case of lost dividend certificates and "talons;"

(4) The principles according to which the yearly balance sheet of the Reichsbank is to be made up;

(5) The dates and methods for the collection of dividends;

(6) The form to be used for the convocation of the General Meeting as well as the conditions and the methods to be applied as to the exercise of the voting rights of the shareholders;

(7) The mode of election of the Central Committee and its Deputies, of the Local Committees, and of the Local Deputies at the Reichsbank Branch Establishments;

(8) The form in which the notices to be issued by the Company are to be given as well as the public journals in which they are to be inserted;

(9) The names of the foreign banks on which cheques and orders for payment may be issued under § 31 (2) No. 3;

(10) Regulations as to the election of the German members of the General Council.

The Organisation Committee issues the first "Satzung." Such "Satzung" as well as later amendments have to be published by the Managing Board in the Official Gazette.

§ 45.

The Reichsbank and its branches within the whole area of the Reich shall be free of all corporation taxes, income taxes and trade taxes.

In so far as the Reichsbank is entitled to privileges in respect of the tax on transfers of capital (Kapitalverkehrssteuer) or in so far as such privileges are granted in respect of business transactions with the Reichsbank, such privileges shall continue. The payment of notes (§ 31) is not subject to the tax on Stock Exchange transactions (Börsenumsatzsteuer).

In so far as share certificates of the Reichsbank are owned by foreigners not being domiciled within the German Reich, the dividends and other profits to which the shareholders as such are entitled shall not be subject to a tax on income (which expression shall include the tax on the profits derived from capital).

§ 46.

As far as the Reichsbank and its organisation now enjoy certain privileges on a legal basis, such privileges shall be afforded to the Reichsbank by the Government. Especially the following are to be maintained:

In matters having regard to residence and rents the privileges which are enjoyed by the Reich offices shall apply to the Reichsbank, with this alteration that the Government as a whole has the right of decision instead of the Supreme Reich Office. In so far as the Government has to decide on matters of residence or rents of offices, the Government may decide such matters relating to the Reichsbank. Executions for removal of business premises of the Reichsbank or of dwellings or rented dwellings of the officials of the Reichsbank can only be levied if the Government agrees beforehand.

The Government determines to what extent the Reichsbank Managing Board shall have authority, in the interest of the conduct of its business, to request any public authority to give information and, more particularly, to forward public records and registers of Criminal Courts.

The Reichsbank shall not belong to any industrial chamber or to any chamber of commerce.

No person acting as manager, official, or employee of the Reichsbank shall be appointed as assessor of any chamber of commerce.

As regards the care of persons having suffered serious injuries, the appointment of authorised candidates for employment, the regulation of the working-hours, trade inspection and other matters within the domain of social welfare, the rules applying to the Reich public authorities shall apply to the Reichsbank "mutatis mutandis."

The provisions of paragraph 359 of the German Criminal Code and of paragraphs 54, 76 and 96 of the Criminal Procedure Code and of paragraphs 376 and 408 of the Civil Procedure Code as well as the law concerning the liability of the Reich for its officials of the 22nd May 1910 (Reichsgesetzbl. p. 798) apply to the Reichsbank, its managers and officials "mutatis mutandis."

§ 47.

The provisions of the Commercial Code relating to entries in the Commercial Register and to the legal effects of such entries shall not apply to the Reichsbank.

§ 48.

The provisions of the Bourse Law as to the compulsory issue of a prospectus shall not apply in respect of shares in the Reichsbank.

§ 49.

As long as the notes hitherto issued by the Reichsbank have not been withdrawn, the Reichsbank shall observe the same rules as to cover as have been enacted in respect of the new issues of notes, a billion marks of the late issue being decreed equal to one Reichsmark.

§ 50.

The vested rights of the persons having had the status of Reichsbank officials shall be preserved.

§ 51.

The first election of the President shall take place within six months of the coming into force of this Law.

§ 52.

The date for the coming into force of this Law shall be determined by the Reich Government[1]. The coming into force of the rules of § 31 requires in addition concurrent resolutions of the Reichsbank Managing Board and of the General Council. Such resolutions are to be published in the Reichsgesetzblatt. Up to that date the rules contained in § 2 of the Law of the 4th August 1914 relating to Reichskassenscheine and banknotes (Reichsgesetzblatt, page 347) shall remain in force, in so far as it relates to banknotes.

§ 53.

Subject to the provisions contained in § 52 above the Bank Law of the 14th March 1875 and the Laws amending the same shall cease to be in force except the Law of the 19th March 1924 (Reichsgesetzblatt II, page 73). At the same time the provisions of the Rentenbank Ordinance of the 15th October 1923 (Reichsgesetzblatt I, page 963) and of the Law relating to the German Gold Discount Bank of the 19th March 1924 (Reichsgesetzblatt II, page 71) shall cease to be in force in so far as they are in contradiction with this Law.

Berlin, the 30th day of August, 1924.

The Reichspräsident,
EBERT.
The Reichswirtschaftsminister,
HAMM.
The Reichsminister der Finanzen,
Dr. LUTHER.

[1] See Decree of October 10, 1924, p. 222.

3. Statutes of the Reichsbank.

(Translation.)

§ 1.

The Reichsbank shares shall not be sub-divided and, subject to the provisions of § 38 of the Bank Law, they shall not be called in. They shall be entered in the registers of the Reichsbank with indications as to the owner's name, occupation and residence. A certificate shall be issued as regards each share in the form shewn in the schedule. The signature of the Reichsbank Managing Board shall be reproduced by mechanical reduplication. Each shareholder shall, together with the share certificate, receive the dividend certificates for the next ten years and a " talon " entitling the holder to receive fresh dividend certificates after the expiration of the ten years' period. The dividend certificates and " talons " shall be made out " to bearer " in the form shewn in the schedule.

The Reichsbank shall have authority on application to that effect to issue collective share certificates in one document relating to ten shares in each case and of an aggregate amount of one thousand Reichsmarks. Collective certificates may, on the shareholder's application and against payment of the expenses incurred thereby, be exchanged into certificates relating to single shares.

§ 2.

Whenever the ownership of a share certificate shall be transferred to another owner, a notice of the transfer shall be given to the Reichsbank, the certificate being presented at the same time and the transfer shall be entered in the register and on the certificates.

As regards the Reichsbank, the person entered as owner on the register shall be the only person deemed to be the shareholder.

The Reichsbank shall have the right to examine a shareholder's title but shall not be compelled to do so.

§ 3.

The transfer of shares may be effected by endorsement.

As regards the form of endorsement, the provisions of Articles 11 to 13 of the Bills of Exchange Act shall apply.

§ 4.

In the case of the pledging of a share, notice of such pledging shall be given to the Reichsbank, the share certificate being presented at the same time, together with the written pledging declaration of the shareholder; on such notice being given, the fact of the pledging is to be entered on the register and on the share certificate.

As against the Reichsbank, only such person shall be deemed to be the pledgee of the share as is entered as such on the register.

The Reichsbank shall have power to examine the genuineness and legality of the declaration, but shall not be under any obligation to do so.

The shareholder shall not be authorised, without the pledgee's consent, to obtain new dividend certificates or, in the event of liquidation, to obtain payment of the share but subject hereto the rights to which he is entitled under the Bank Law and under these Statutes shall not be restricted.

The entry of the pledgee's right shall be cancelled on the register on presentation of the share certificate and of a duly legalised authority given by the pledgee.

§ 5.

The registration of transfers or of pledges of shares (§§ 2 and 4) to be made on the share certificates are to be signed by the "Archiv" of the Reichsbank.

The Reichsbank Managing Board shall determine the amount of the fee to be paid in respect of the registration of transfers or of pledges of shares, as well as for the conversion of shares (§ 1 [2]).

§ 6.

Share certificates which have been lost or destroyed may be declared invalid by virtue of the Public Citation Procedure. The provisions of § 799 (2) and § 800 of the Civil Code, as well as the provisions of the Civil Procedure Code, in respect of the Public Citation Procedure, applicable for the purpose of declaring a document invalid, shall apply.

The local Court " Berlin Mitte " shall have exclusive jurisdiction as regards the Public Citation Procedure.

§ 7.

As regards lost or destroyed dividend certificates and " talons ", the Public Citation Procedure shall not be applicable, nor shall the Reichsbank be under any obligation, on proof of the loss of any dividend certificates or "talons," to issue new dividend certificates or " talons " or to pay the sum of money represented by the same.

§ 8.

The Bank shall not purchase stock exchange securities for account of others before having actually received the amount of money required for that purpose or having obtained security by means of the pledge of bearer bonds or other movable objects. In the same way, orders for the sale of stock exchange securities shall not be executed before the receipt of such securities.

§ 9.

The calendar year shall be the business year of the Bank.

The balance sheet shall be made up by the Reichsbank Managing Board as for December 31st of each year.

The following rules shall apply with regard to the making up of the yearly balance sheet:

(1) Stock exchange securities having a quotation shall not be taken at a higher price than the price quoted at the date as from which the balance sheet is made up.

(2) The expenses of organisation and administration, in so far as they arise from the cost of the production of bank notes, may be distributed over several years; but all other expenses must appear in the yearly account as expenses apportionable to the year.

(3) The amount of the foundation capital and of the reserve fund must appear under the head of the liabilities.

(4) The profit or loss resulting from the comparison of the value of the whole of the assets with the whole of the liabilities must be separately indicated in the closing part of the balance sheet.

§ 10.

The dividend shall be paid not later than on June 1st following the year in respect of which the balance sheet is made up; it shall be paid at the principal office of the Reichsbank and at all Reichsbank Head Establishments and Reichsbank Establishments against delivery of the dividend certificates.

The supplemental payment provided for by § 37 (2) second clause of the Bank Law, shall be made in such manner that the supplemental amount shall be paid against the dividend certificate of the year out of the profit of which such supplemental payment is effected.

§ 11.

The meetings of the Reichsbank Managing Board shall, as a rule, be held weekly on Fridays in the forenoon.

The meetings of the General Council shall take place once every month.

§ 12.

Every shareholder who, at the latest on the day before the date of the general meeting, shews by a certificate obtainable at the archives of the Reichsbank of what nominal amount of shares he is entered as owner in the registers of the Reichsbank shall be entitled to take part in the general meeting.

Entries on the registers which have not been effected at least fourteen days before the date of the general meeting shall not be taken into consideration.

Only such shareholders entered on the registers of the Bank shall be admitted as proxies as are able to prove their authority by power of attorney, granted in each case by the principal by means of declaration before a judge or before a public notary. Not more than one shareholder shall be represented by the same proxy.

In any case in which the law prescribes that the right of election shall only be exercised by persons of German nationality, the exercise of the voting right shall be subject to presentation of a certificate issued at the archives of the Reichsbank.

§ 13.

A general meeting shall take place not later than within the month of May of every year but an extraordinary general meeting may be convened at any time. A general meeting is convened by

the Reichsbank Managing Board by means of a public notice given at least fourteen days before the date of the meeting in one of the papers selected for that purpose.

§ 14.

The President of the Reichsbank Managing Board or his substitute takes the chair at a general meeting. The Reichsbank Managing Board and the General Council may be present at the meeting; the members are entitled to take part in the debates but have no voting rights.

§ 15.

Minutes of the proceedings and of the resolutions passed at a general meeting shall be prepared by a recorder of minutes to be appointed by the President of the Reichsbank Managing Board and shall be signed by the Chairman, a member of the General Council, a member of the Central Committee, two shareholders and the recorder of minutes.

§ 16.

The resolutions passed at any extraordinary general meeting shall only deal with such matters as are expressly referred to in the notice convening the meeting.

§ 17.

The Central Committee shall consist of 21 members and 21 substitutes. Only such shareholders can be elected as are German nationals, and are registered in the books as owners of at least 30 shares. The persons to be elected must be domiciled within the Reich, and at least 12 must be domiciled in Berlin or the immediate surroundings of that city.

The election of members of the Central Committee and of their substitutes shall, in the absence of objection, be made by acclamation; if voting by acclamation is objected to, voting by ballot (separately as to each member to be elected) shall be substituted.

§ 18.

One-third of the members of the Central Committee (being the members whose term of office has been the longest) shall each year retire from the said Committee.

§ 19.

The members of the Central Committee do not receive any remuneration.

If a member of the Central Committee transgresses the rules as to secrecy in respect of matters affecting the Bank or abuses the information received by him by virtue of his office or has in any other way lost public confidence or if the interest of the establishment appears imperilled through such a member, the General Meeting is entitled to pass a resolution for his dismissal.

A member of the Central Committee who becomes subject to bankruptcy proceedings or who, during the course of half a year, does not attend any meeting, or who has lost any one of the qualifications entitling him to be elected, is deemed to have ceased to be a member of the Central Committee.

§ 20.

Every member of the Central Committee shall have the same voting rights. As regards election, the provisions of § 17 shall apply.

§ 21.

The minutes of the proceedings and resolutions of the Central Committee shall be signed by the Chairman, two members of the Committee and a recorder of minutes, to be appointed in that behalf by the President of the Reichsbank Managing Board.

§ 22.

The members of the Reichsbank Managing Board shall take part in the deliberations of the Central Committee but shall not exercise any voting rights.

§ 23.

The General Meeting shall elect 3 members of the Central Committee and 3 substitutes as deputies of the Central Committee. As regards election, the provisions of § 17 shall apply.

The Deputies and their substitutes shall advise the Managing Board in special matters if requested by the Managing Board.

§ 24.

The local committees shall consist of not less than 4 and not more than 10 members. Half of them, being the members whose term of office has been the longest, shall each year retire from the said committee. The retiring members are capable of being re-elected.

Out of the local committees there shall be elected two or three members as local deputies. The Managing Board can appoint such local deputies if there exists no local committee with the Branch Establishment.

The Branch Establishments can request the consultative opinion of the local committees if they think fit. The local deputies shall advise the Branch Establishment in special matters if requested.

§ 25.

A shareholder who is not qualified for membership of the Central Committee shall not be appointed as member of the local committee, or as local deputy.

§ 26.

The Managing Board elects the members of local committees from among the German shareholders domiciled in or near the seat of the Branch Establishment and registered in the books as owners of at least 30 shares.

In so far as the election of local deputies is effected by the local committees, the provisions of § 17 shall apply.

§ 27.

The cheques and orders for payment referred to in § 31 (2) No. 3 of the Bank Law must be issued on a foreign central note-issuing Bank.

§ 28.

The following persons have been appointed as original members of the General Council:

Sir Charles Addis, London; Charles Sergent, Paris; Carlo Feltrinelli, Milan; Emile Francqui, Brussels; Gates W. McGarrah, New York; Professor Dr. G. W. J. Bruins, Rotterdam; Professor Dr. G. Bachmann, Zurich; Louis Hagen, Cologne; Franz v. Mendelssohn, Berlin; Hofrat Hans Remshard, Munich; Franz Urbig, Berlin; Max M. Warburg, Hamburg; Oscar Wassermann, Berlin.

The provisions as to completion of the number of members of the General Council in the case of a vacancy arising among the foreign members (§ 16 [1] of the Bank Law) shall apply *mutatis mutandis* in the case of the necessity of completing the number of members on a vacancy arising among the German members.

§ 29.

The notices to be given to shareholders shall be published in the Reichsanzeiger, as well as in a newspaper published in each town in which there is a Reichsbank establishment and the name of each paper is to be specially announced in each case. Special notice to each shareholder shall not be required.

The same newspapers shall also be used for the publication of other notifications of the Reichsbank Managing Board in so far as the purpose of such notifications is not merely of local import.

§ 30.

The liquidation of the Reichsbank (§ 38 of the Bank Law) is effected by the Reichsbank Managing Board.

4. Law concerning the Redemption of Rentenbank Notes of August 30, 1924.

(Translation from the Reichsgesetzblatt II of August 30, 1924, p. 252.)

The Reichstag has adopted the following statute which, with the assent of the Reichsrat, is hereby promulgated.

§ 1.

The German Rentenbank may not issue Rentenbank notes in excess of the aggregate of Rentenbank notes in circulation on the coming into force of this act.

The Rentenbank notes in the possession of the Rentenbank and not yet issued shall be handed over to the Reichsbank to be destroyed.

The aggregate amount of the Rentenbank notes and Rentenbonds in circulation on the coming into force of this act shall be published by the Reichsminister of Finance.

§ 2.

In consideration of the changes to be introduced into the mortgages by this Act, the capital of the German Rentenbank shall be reduced to 2000 million Rentenmarks. This amount shall be provided entirely by agriculture (§ 6 of the Rentenbank Decree of

October 15, 1923 — Reichsgesetzblatt I p. 963 — and February 13, 1924 — Reichsgesetzblatt I p. 66). The reserves provided for in paragraph 2 of the Rentenbank Decree shall lapse.

Clause 2 of paragraph 2 of the Rentenbank Decree is hereby repealed.

§ 3.

The charge upon industrial, trade, commercial and banking concerns provided for in paragraph 9 of the Rentenbank Decree is hereby rescinded. The land mortgages lapse; the debentures are to be destroyed or, on request, returned to the mortgagers. Simultaneously the share rights of the mortgagers (§ 11 of the Rentenbank Decree) shall lapse.

The interest on the land mortgages and debentures accrued up to the coming into force of these provisions shall be transferred to the German Rentenbank by the mortgagers.

§ 4.

The charge upon the owners of land permanently devoted to agricultural, forestry or horticultural purposes shall persist in the form provided for in paragraphs 6 to 8 and in paragraph 10 of the Rentenbank Decree.

The maximum value of land mortgages on the estates to be acquired by the German Rentenbank shall be 5% of the Defence Levy assessment. In so far as the Defence Levy assessment has been revised or subsequently made under Article 2 of the Second Emergency Taxation Order for the tax on real and personal property, this value shall be valid.

The capital amount of the land mortgage shall bear interest at the rate of 5% per annum. The payment of interest may be effected in legal tender.

In the event of the compulsory sale of any of the mortgaged estates, the mortgage shall continue to be effective even if it has not been taken into account when fixing the lowest bid. The mortgages may not be assigned to any other party by the German Rentenbank; they are, however, liable to sequestration. The capital of the mortgage cannot be denounced by the owner.

§ 5.

Conformably with the stipulations of this Act, the Reichsbank shall, within at most ten years from the coming into force of this Act, redeem the sum total of the Rentenbank notes issued.

§ 6.

A special sinking fund shall be formed at the Reichsbank, which fund the Reichsbank shall manage and shall employ for the purpose of withdrawing, to an aggregate of 1200 million Rentenmarks, the Rentenbank notes in circulation.

The Rentenbank notes paid in to this fund shall be destroyed by the Reichsbank. The legal tender paid in to the fund shall be applied by the Reichsbank to withdraw Rentenbank notes from circulation, calculating one Rentenmark as equivalent to one Reichsmark. The Rentenbank notes withdrawn from circulation shall be destroyed by the Reichsbank.

§ 7.

The sinking fund shall be supplied as follows:

(*a*) The Rentenbank shall transfer to the sinking fund all the monies which it shall receive from the mortgagers, on and after October 1, 1924, in virtue of paragraph 4 of this Act. These payments are to be transferred by the cash offices (finance offices) directly to the sinking fund at the Reichsbank.

(*b*) Beginning with January 1, 1925, the Reich shall transfer to the sinking fund 60 million Rentenmarks annually in equal three-monthly instalments.

(*c*) The annual share of profits due to the Reich by virtue of paragraph 37 of the Bank Act shall pass to the sinking fund.

§ 8.

The payments to be made to the sinking fund in virtue of paragraph 7 are to be effected and continued until the aggregate sum of the amounts passed to the sinking fund shall have reached the sum of 1200 million Rentenmarks.

Thereafter, the payments provided for in paragraph 7 are to be continued until all claims of the Reichsbank by virtue of this Act shall have been satisfied.

§ 9.

In so far as the Rentenbank payments provided for in paragraph 7, sub-paragraph (*a*) shall exceed 60 million Rentenmarks in any one year, the Reichsbank shall, out of the surplus amount, set aside 25 millions annually and place it at the disposal of an agricultural credit institute to be formed with the approval of the German Rentenbank and the German Government. With the consent of the German Government, the German Rentenbank shall be entitled also to apply its other available funds for the purposes of this credit institute or for similar purposes, in so far as the application of such funds is not provided for by the stipulations of this act.

§ 10.

The Reich assumes liability towards the Reichsbank for the payments provided for in paragraph 7, sub-paragraph (*a*) reaching at least 60 million Rentenmarks annually.

§ 11.

The credits to the amount of about 870 million Rentenmarks, given by the Reichsbank, and the private banks of issue in virtue of loans granted in conformity with paragraph 16 of the Rentenbank Decree, shall, in their entirety, be redeemed with all due speed but with proper regard to the economic circumstances of the debtor. In any case, the redemption must be completed within three years; by the end of the first year at least one-third and by the end of the second year at least another third of each loan shall be redeemed; the three-year period shall begin to run from December 1, 1924.

In so far as such credits have been granted to private note-issuing banks by the Rentenbank their closure is to be effected by

the Rentenbank on the lines to be laid down by the Reichsbank and with the assent of the Commissioner of the Reichsbank (§ 17).

The redemption of credits given by the Reichsbank in virtue of the loan granted to the former by the Rentenbank may be effected by the Reichsbank handing over to the Rentenbank bills for a corresponding amount of Rentenmarks; to the extent to which such bills are taken over by the Rentenbank, the loan debt of the Reichsbank to the Rentenbank becomes extinct. The liquidation of these credits shall then be effected by the Rentenbank in conformity with the stipulations of paragraphs 1 and 2.

The German Rentenbank shall transfer to the Reichsbank a share of the interest obtained in the process of closing the Rentenmark credits (pars. 2 and 3), this share to be calculated on the capital amounts in question at the rate of $^{7}/_{10}$ of the bank rate of the Reichsbank, but not to exceed 7 % per annum.

The German Rentenbank shall hand over to the Reichsbank for destruction all the Rentenbank notes received in the process of closing the credits. In so far as the repayment of credits is not effected in Rentenbank notes, the German Rentenbank shall hand over to the Reichsbank a corresponding sum in legal tender. The Reichsbank shall then withdraw from circulation and shall destroy a corresponding sum in Rentenbank notes, calculating one Rentenmark as equivalent to one Reichsmark.

§ 12.

On completion of the redemption of the Rentenmark credits mentioned in paragraph 11 and after a sum of 1200 million Rentenmarks has passed to the sinking fund in virtue of § 8 para. 1, but at the latest on expiration of the tenth year following upon the coming into force of this Act, the Rentenbank shall, with six months' notice, call in for exchange against legal tender any Rentenbank notes still in circulation. The Reichsbank shall effect the exchange at its offices.

In so far as the sinking fund may be inadequate to effect the foregoing, the Rentenbank is obligated to place the requisite sums at the disposal of the Reichsbank without delay. The Reich accepts the liability for this obligation of the Rentenbank.

§ 13.

Any surplus remaining in the sinking fund after redemption of the Rentenmarks is to be placed at the disposal of the Rentenbank.

§ 14.

Up to the expiration of the term of withdrawal of Rentenbank notes, the obligations arising out of the Rentenbank notes and the Renten-bonds shall enjoy a first charge upon the whole of the property of the Rentenbank including the land mortgages created by the Rentenbank Decree and the interest due by the mortgagers.

On expiration of the said term, the Rentenbank shall be liquidated.

§ 15.

At the end of each year, the Reichsbank shall publish the amount of the Rentenbank notes withdrawn as well as the amount still in circulation.

§ 16.

§ 16, paragraph 1, of the Rentenbank Decree is hereby repealed.

The business activity of the Rentenbank is to be limited to the liquidation of Rentenmark credits.

The rights conferred upon the Rentenbank by paragraph 9, whereby it may participate in the proposed Agricultural Credit Institute, are not impaired by these provisions.

§ 17.

The Reich Government and the Reichsbank shall each depute a commissioner to the Rentenbank, to whom information on all the affairs and transactions of the Rentenbank must be given; each of these commissioners has the right to enter protest against any measures of the Rentenbank which, in his judgment, may tend to prejudice the interests of the Reich or the Reichsbank.

§ 18.

The statutes of the Rentenbank shall be amended in accordance with the provisions of this Act; the amendment requires the approval of the Government.

If the amendment has not been effected within two months of the coming into force of this Act, it shall be undertaken by the Government.

§ 19.

A special Act shall deal with the assets remaining after liquidation of the Rentenbank as well as with the extinction of the land charge after completion of the liquidation of the Rentenbank. The said Act shall also determine whether after liquidation of the Rentenbank, the payments provided for in § 7 are to be continued and, if so, how they shall be dealt with.

§ 20.

The Decree concerning the creation of the German Rentenbank shall be repealed in so far as it runs counter to the provisions of the present Act.

The provisions of § 21 of the Rentenbank Decree shall apply, *mutatis mutandis,* to this Act. Wherever the usufruct of a real estate does not pertain to the owner of the estate, it shall be lawful for the German Government, without prejudice to the provisions of § 8 of the Rentenbank Decree, to make provisions concerning the incidence of interest upon the owner and the usufructuary.

§ 21.

The Government of the Reich is to determine when the provisions of this Act shall come into force[1].

Berlin, the 30th day of August, 1924.

The Reichspräsident,
EBERT.
The Reichsminister der Finanzen,
Dr. LUTHER.

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[1] See Decree of October 10, 1924, p. 222.

5. Law concerning Coinage, August 30, 1924.

(Translation from the Reichsgesetzblatt II of August 30, 1924, p. 254).

The Reichstag has adopted the following law, which with the assent of the Reichsrat, is hereby promulgated.

§ 1.

Throughout the German Reich the gold standard shall prevail. The standard unit of value shall be the Reichsmark subdivisible into 100 Reichspfennigs.

§ 2.

The following Reich coins shall be struck:

(1) gold coins of the denomination of twenty Reichsmarks and of ten Reichsmarks;

(2) silver coins ranging from one Reichsmark to five Reichsmarks each in denomination;

(3) coins of the denomination of 1, 2, 5, 10 and 50 pfennigs each.

§ 3.

From one kilogram of fine gold shall be struck:

139 gold coins of the denomination of 20 Reichsmarks each and one of the value of 10 Reichsmarks;

or 279 gold coins of the denomination of 10 Reichsmarks each.

The standard of fineness shall be 900 parts gold to 100 parts copper. The shape and device of the coins shall be determined by the Reich Minister of Finance. The regulations referring thereto shall be published in the Reichsgesetzblatt.

The standard of fineness for silver coins, as well as the metals and alloying proportions for the coins of "Reichspfennig" denomination, shall be determined by the Reich Minister of Finance acting in concert with the Reichsrat; the weight, shape and device of the coins shall be determined by the Reich Minister of Finance. The regulations referring thereto shall be published in the Reichsgesetzblatt.

§ 4.

Until further notice, the gold coins struck in pursuance of the "Act concerning the Coining of Reich Gold Coins" of December 4, 1871 (Reichsgesetzblatt, p. 404), or of the "Coinage Act" of July 9, 1873 (Reichsgesetzblatt, p. 233) or of the "Coinage Act" of June 1, 1909 (Reichsgesetzblatt, p. 507) shall be legally current.

Until further notice, the silver coins struck in pursuance of the " Act concerning the Coining of Reich Silver Coins " of March 20, 1924 (Reichsgesetzblatt I, p. 291), shall be legally current.

Until further notice, the " Renten " coins of " pfennig " denomination struck in pursuance of the Decree of November 8, 1923, issued by the Reich President (Reichsgesetzblatt I p. 1086) as well

as the copper coins struck in pursuance of the Coinage Acts of July 9, 1873, and June 1, 1909, shall be legally current as Reich coins of " pfennig " denomination.

§ 5.

From now onwards the following only shall constitute legal tender:

(*a*) The gold coins designated in paragraphs 2-4 of this Act and notes issued by the Reichsbank in Reichsmark denomination, either of them to any amount;

(*b*) All other coins designated in paragraphs 2-4 of this Act, but only to the amounts stated in paragraph 9; provided that, in the case of the gold and silver coins designated in paragraph 4, the denomination of one mark shall be equivalent to one Reichsmark, and that, in the case of the Rentenpfennig coins and the copper coins designated in paragraph 4, the denomination of one Rentenpfennig or of one pfennig shall be equivalent to one Reichspfennig.

In so far as a debt can be paid in mark currency hitherto valid, the debtor shall be entitled to make payment in legal tender calculating one billion marks of the debt as one Reichsmark.

§ 6.

The coining process shall be determined by the Reich Minister of Finance with the assent of the Reichsrat. The regulations shall make due provision to ensure the accuracy of the coins as regards weight and fineness. In so far as this accuracy cannot be maintained in respect of the individual coins, the deviations in the gold coins shall not exceed five two-thousandths (5/2000) in regard to weight or one five-hundredth (1/500) in regard to fineness. But the average weight and fineness of gold coins must meet the requirements of paragraph 3. The Minister of Finance shall, with the assent of the Reichsrat, determine the permissible deviations in the weight and fineness of silver coins.

§ 7.

The coins shall be struck for account of the Reich in the mints of those Federal States consenting thereto. The coining process shall be subject to the supervision of the Reich.

Private persons shall be entitled to have, for their own account, gold bullion coined into pieces of twenty Reichsmarks in the aforesaid mints, when and in so far as these mints are not employed for purposes of the Reich. The charge for such coining shall be fixed by the Minister of Finance with the assent of the Reichsrat; the charge shall, however, not exceed 14 Reichsmarks per kilogram of fine gold. The difference between this charge and the compensation claimed for the coining by the mint in question shall go to the benefit of the Reich Treasury, and must be identical for all mints. The mints may not claim a higher compensation for coining than is accorded by the Reich Treasury for the coining of pieces of twenty Reichsmarks.

Finally, the Minister of Finance shall, with the assent of the Reichsrat, determine the amounts to be coined, the allotment of the amounts to be coined by the various mints and the compensation to be awarded equally to each of these mints for the striking of the various specie. The coinage metal for the mints shall be provided in accordance with the instructions of the Minister of Finance.

§ 8.

The aggregate amount of coins of the denomination of 5 Reichsmarks and thereunder, including the coins designated in § 4, paragraphs 2 and 3, may not exceed 20 Reichsmarks per head of the population of the Reich.

With the exception of the gold coins, the coin of the Reich issued shall be put into circulation by the Reichsbank as circumstances shall require. The Reich Minister of Finance is authorized to conclude with the Reichsbank the detailed arrangements for the aforesaid issue of coinage.

§ 9.

No person shall be obliged to accept in payment of a debt silver coins exceeding an amount of 20 Reichsmarks, or coins of Reichspfennig, Rentenpfennig or pfennig denomination other than silver coins to an amount exceeding 5 Reichsmarks.

The coins mentioned in the foregoing paragraph shall be accepted to any amount by the various public offices both of the Reich and of the Federal States. Within the meaning of this Act, the offices of the Reich Postal Service shall be considered as offices of the Reich.

The Minister of Finance shall, with the assent of the Reichsrat, designate those public offices which shall, on demand, deliver legal tender (§ 5, paragraph 1(a)) against silver coins totalling in value at least 200 Reichsmarks or against coins of Reichspfennig, Rentenpfennig or pfennig denomination in amounts of at least 50 Reichsmarks. The Reichsrat shall at the same time fix in further detail the conditions applicable to the exchange.

§ 10.

The obligation to accept or to exchange coins (§ 9) shall not apply to perforated coins or to coins reduced in weight otherwise than by natural abrasion or to counterfeit coins.

§ 11.

Gold coins the weight of which is not more than one five-thousandth part below the standard weight (§ 3) shall be regarded as possessing current weight and shall, provided their weight has not been reduced by violence, be considered, for the purposes of any payment, to have full weight.

Gold coins of less than current weight which have been accepted in payment by the offices of the Reich, the Federal States, the provinces or the communes or by financial or credit institutes or by banks may not be re-uttered by these offices, institutes or banks.

Gold coins, the weight of which by reason of prolonged circulation and abrasion has been reduced below the current weight, shall be called in for account of the Reich. Such worn gold coins shall always be accepted by all offices of the Reich and of the Federal States at the full value at which they were issued.

§ 12.

Silver coins and coins of Reichspfennig, Rentenpfennig and/or pfennig denomination which, by reason of prolonged circulation and wear have suffered an appreciable loss of weight or recognizability shall, it is true, be accepted by all offices of the Reich and of the Federal States, but are to be withdrawn for account of the Reich.

§ 13.

For assaying and stamping there shall be admitted counterpoises indicating the standard weight and the current weight of each of the gold coins to be struck in accordance with this Act as well as counterpoises indicating a multiple of these weights. The provisions of the Decree concerning Weights and Measures shall be *mutatis mutandis* applicable to the aforesaid assaying and stamping.

§ 14.

The Reich Minister of Finance is authorized, with the assent of the Reichsrat:

(1) To demonetize coins that are to be withdrawn from circulation.

(2) To issue the police regulations necessary for the maintenance of a properly regulated circulation of money.

(3) To fix the maximum of foreign gold and silver coinage which may be tendered and given in payment, as well as to interdict altogether the circulation of foreign coins.

(4) To determine whether foreign coins may be accepted in internal payments by the offices of the Reich and of the Federal States at a rate of exchange to be published, and, in such case, to fix that rate.

In ordering demonetization (sub-paragraph 1 supra), the Minister of Finance shall, with the assent of the Reichsrat, issue the regulations necessary thereto; the period to be allowed for redeeming decried coins must extend to 2 years. The proclamation concerning demonetization is to be published in the Reichsgesetzblatt as well as in the daily newpapers at the service of the minor administrative authorities for publishing official notices.

Infringement, habitual or for gain, of the regulations made by the Reich Minister of Finance in virtue of the stipulations of sub-paragraphs 2 and 3 shall be punishable by fine not exceeding 150 gold marks or by imprisonment.

§ 15.

§§ 1 to 14 of the Coinage Act of June 1, 1909, are hereby repealed; so far as, in existing provisions, reference is made to the

provisions of that Act, their place shall be taken by the corresponding provisions of the present Act.

The coins of the Reich coined out of nickel, aluminium, iron and zinc by virtue of former Acts shall be demonetized and shall no longer be valid as legal tender. For the demonetization of the silver coins struck in virtue of the Coinage Acts of July 9, 1873, and of June 1, 1909, the proclamation of the Federal Council (Bundesrat) of July 12, 1917 (Reichsgesetzblatt p. 625) and the Decree of the Reich Government of April 13, 1920 (Reichsgesetzblatt p. 521), shall respectively suffice.

§ 16.

The Decree of the Reich President of November 8, 1923, concerning the striking of coins of the denomination of 1, 2, 5, 10 and 50 Rentenpfennigs shall be amended as follows:

(1) In § 1 the words " in concert with the German Rentenbank " are hereby deleted.

(3) In § 2, sentence 2, the words " with the consent of the German Rentenbank " are hereby replaced by the words " with the consent of the Reichsrat".

(3) §§ 3 to 6 are hereby repealed.

§ 17.

§§ 1 and 2 of the Decree concerning the Parity of Reich Copper Coins and Rentenpfennigs and the Amendment of the Decree of the Reich President of November 8, 1923, dated February 11, 1924 (Reichsgesetzblatt I. p. 60) are hereby repealed.

§ 18.

§§ 3, 4 of the Act concerning the Striking of New Reich Silver Coins of March 20, 1924, are hereby repealed.

§ 19.

It shall be lawful for the Reich Government to issue the legal and administrative regulations for giving effect to this Act and, in particular, such as are necessary for effecting the transition from the present currency status to the ensuing one.

§ 20.

The Reich Government shall fix the date on which this Act shall come into force[1].

Berlin, the 30th day of August, 1924.

The Reichspräsident,
EBERT.

The Reichsminister der Finanzen,
Dr. LUTHER.

[1] See Decree of October 10, 1924, p. 222.

6. Private Note Bank Law of August 30, 1924.

(Translation from the Reichsgesetzblatt II, of August 30, 1924, p. 246.)

The Reichstag has passed the following law which is hereby promulgated with the assent of the Reichsrat:

I.—Powers in Regard to the Issue of Notes.

§ 1.

Private Note Banks within the meaning of this law are:

(1) The Bayerische Notenbank in Munich.
(2) The Sächsische Bank zu Dresden in Dresden.
(3) The Württembergische Notenbank in Stuttgart.
(4) The Badische Bank in Karlsruhe.

The Private Note Banks are empowered to issue notes within the limits prescribed by this law. The Government of the Reich has the right, for the first time on January 1, 1935, and subsequently at intervals of ten years, to withdraw, wholly or partially, with the consent of the Reichsrat, the privilege to issue notes (a period of notice of one year being always allowed); no claim for compensation in respect of such withdrawal is allowed.

§ 2.

Any changes in the provisions issued by the Governments of the States in regard to the Private Note Banks, as also any modification of the Statutes of such Banks, require the consent of the Government of the Reich and of the Reichsrat, in so far as such provisions relate to the original capital, reserves, or the ordinary business of such Banks—or to the cover or redemption of the notes to be issued, or the period for which the Banks have power to issue notes.

§ 3.

The notes to be issued by the Private Note Banks are made out in Reichsmarks.

The maximum limit for the privilege to issue notes is:

For the Bayerische Notenbank and Sächsische Bank, 70 million Reichsmarks in each case.

For the Württembergische Notenbank and the Badische Bank, 27 million Reichsmarks in each case.

Until the liquidation of the Rentenbank has been completed, the note issue privilege of all the four Private Note Banks taken together for any calendar quarter will, within the maximum limit mentioned above, be fixed at 8.5 per cent of the average amount of Reichsbank notes in circulation, as shown by the reports of the Reichsbank for the preceding calendar quarter. This total amount will be distributed among the four Private Note Banks in the ratio of 70, 70, 27, 27. The period laid down in the first sentence of this paragraph for limiting the note circulation may be shortened by the Government of the Reich, with the assent of the Reichsrat, and in agreement with the Directors of the Reichsbank (Reichsbankdirektorium).

The note issue privilege of the various Note Banks is published in the Reichsanzeiger by the Minister of Economic Affairs of the Reich for each calendar quarter on the basis of the Reichsbank reports of the preceding calendar quarter. If, in the course of any one month, the average Reichsbank note circulation varies by more than 10 per cent from the quarterly average on which the circulation of the Private Bank Notes is calculated, the figure for the month will, on the request of the Reichsbank or of a Private Note Bank, be declared by the Minister of Economic Affairs of the Reich to be the basis for determining the circulation of the Private Bank notes for the rest of the quarter, and the resulting note issue privilege of the Private Note Banks will be published.

If the note issue privilege of a Private Note Bank at any time is less than it was during the preceding quarter or month, the Private Note Bank must restrict its note circulation in such manner as to conform with the new amount of its privilege within the month following such calendar quarter or month.

The Private Note Banks have the right, within the limits of paragraph 2, to issue notes at any time up to the amount of their gold reserve.

II.—Private Bank Notes.

§ 4.

The notes of the Private Note Banks (private bank notes) are made out in denominations of 50 Reichsmarks, 100 Reichsmarks, or multiples of 100 Reichsmarks.

The Private Note Banks are obliged to call in their total existing circulation of notes, and to exchange it for notes made out in Reichsmarks, one Reichsmark being taken as equal to one billion marks of the old issue. Notes withdrawn are to be destroyed. Detailed provisions regarding the calling in of notes and the periods allowed for the delivery and cancellation of the old notes are laid down by the Minister of Economic Affairs of the Reich, and will be duly published in the Reichsanzeiger.

§ 5.

Private bank notes are not legal tender, and may not be declared to be such by a law of a State. No public cash office can be compelled to accept such notes. The notes must be accepted at all times at their full nominal value by the Private Note Banks which issue them, at their head offices and branch offices.

§ 6.

The Private Note Banks are obliged to accept notes of other Private Note Banks at their head offices and at their branch offices in towns of more than 100,000 inhabitants at their full nominal value, so long as the bank which issued such notes punctually observes its obligations in regard to the redemption of them. If a Bank receives notes of another Private Note Bank, such notes may only be presented for redemption, or used for payments to the Bank which issued them or for payments in the State in which such Bank has its head office.

§ 7.

The Bank is obliged to hold at all times, for the amount of its notes in circulation:

(*a*) A cover of at least 40 per cent in gold or foreign exchange (gold cover); at least three quarters of such cover to be gold.

"Gold" within the meaning of this provision is gold in bars and German and foreign gold coins (1 pound of fine gold being reckoned at 1,392 Reichsmarks), in so far as such gold coins are in the coffers of the bank, or held at its free disposal in a central Note Bank.

"Foreign exchange" is bank notes, bills to run for not more than 14 days, cheques and day to day drafts which are payable in foreign currency by a bank of known solvency situated in a financial centre in a foreign country; they are to be reckoned at their current gold value.

(*b*) The balance, in discounted bills or cheques which comply with the conditions laid down in paragraph 14;

The Bank must, so long as its old notes have not been withdrawn, observe the same rules in regard to cover as are laid down for the new notes to be issued, one billion marks of the old issue being taken as the equivalent of one Reichsmark.

§ 8.

Besides the cover of the notes in circulation, provided for in paragraph 7, the Bank must hold a special cover of at least 40 per cent at all times for its obligations from day to day; this cover must consist of immediately available deposits (money from day to day) in Germany or abroad, cheques on other banks, bills of exchange running for not more than 30 days, or day to day claims in respect of Lombard loans.

§ 9.

The Bank is obliged to redeem its notes:

(*a*) At its head office immediately upon presentation;

(*b*) At its branch offices (in so far as its reserves of cash and its money requirements permit) when the notes are presented by the bearer. The redemption is effected at the discretion of the Bank in:

(1) German gold coins, at the current legal weight and proportion of fine gold, at par.

(2) Bars of gold of at least 1,000 Reichsmarks, but not more than 35,000 Reichsmarks, at their pure gold value in German gold coins at the current legal weight and fineness.

(3) Cheques or telegraphic transfers in foreign currency at the current market value (converted into gold) of the currency in question. The Managing Board and the Board of Control decide, in agreement with the Government of the State, on what foreign banks the cheques or telegraphic transfers are to be made payable. The Bank may charge a premium in respect of such services. Such premium may not, however, exceed the transport

costs (including interest) which would be incurred were the amount offered for redemption to be shipped in a consignment of gold of considerable size to the foreign financial centre in question.

As long as the Reichsbank does not redeem its notes in gold or foreign exchange, the redemption of the Private Bank Notes must be effected in Reichsbank notes.

The redemption of the notes is not subject to the Bourse Turnover Tax (Börsenumsatzsteuer).

§ 10.

The Bank must make good damaged notes, where the bearer presents any part of the note greater than half, or brings proof to show that the remainder of the note of which he is presenting only half, or some lesser portion, has been destroyed.

The Bank is not obliged to make good notes which have been destroyed or lost.

§ 11.

Bank notes in a damaged or dirty condition, handed in to the Cash Office of the Bank or one of its branch offices, or to a Cash Office entrusted by the Bank with the duty of redeeming notes, may not be issued again.

§ 12.

The calling-in and withdrawal of notes is effected through the Managing Board of the Bank. Detailed provisions in regard to this, as also in regard to the destruction of notes which have been withdrawn, are issued by the Minister of Economic Affairs of the Reich and published in the Reichsanzeiger.

§ 13.

The Private Note Banks must apply 20% of any net profits which exceed 6% of the original capital, to a reserve, for such time as such reserve does not constitute at least 12% of the notes in circulation, reckoned at the average for the last six months of the last business year.

III. — Transactions of the Private Note Banks.

§ 14.

The Private Note Banks are empowered to carry out the following transactions:

(1) To purchase and to sell gold and silver in bars and in coins, as also foreign exchange.

(2) To discount, purchase and sell bills of exchange which run for not more than 3 months, and are guaranteed by three or at least two guarantors known to be solvent, and cheques guaranteed by three or at least two guarantors known to be solvent. The bills discounted by the Banks must be sound commercial bills.

(3) To accord interest-bearing loans running for not more than 3 months, against movable securities (collateral), viz.:

(*a*) Against gold and silver in the form of coins and otherwise.

(*b*) Against bonds of the Reich, the German States or German Communal corporations, bearing interest or falling due at the latest in a year's time and made out to bearer, or against interest-bearing bearer bonds, the interest on which is assured by the Reich or by a State; against ordinary shares and ordinary preference shares paid up to the full and preference debentures of German railway companies, whose lines are running; against shares of the Reichsbank, or mortgages of agricultural, communal or other land credit establishments of Germany and German mortgage banks under State supervision, to an amount not exceeding three-quarters of the rate of quotation of such securities. Bearer bonds of land credit institutions of Germany at Public Law, and such bearer bonds of the other categories of institutions and banks above mentioned, which have been issued on the strength of loans accorded to German Communal corporations or against security given by such corporations, are reckoned as equivalent to such mortgages.

(*c*) Against interest-bearing bonds of non-German States as also against preference shares of foreign railways guaranteed by the State at a rate not exceeding 50% of the rate of quotation of such securities.

(*d*) Against bills of exchange presented by persons known to be solvent, subject to a reduction of at least 5% of the quoted rate.

(*e*) Against the security of merchandise stored in Germany up to a value of not more than two thirds of its value.

(4) To purchase and to sell bonds of the kind described above under 3 (*b*) as also shares of the Reichsbank, but only up to the amount of the original capital and the reserve of the Bank.

(5) To procure money for the account of private persons, institutions, public offices, and to effect payments after cover has been assured and to issue bills or effect transfers on their branch offices or correspondents.

(6) To purchase and sell for the account of others all kinds of securities and precious metals, subject in the first case to cover being provided, and in the second case to the objects being previously deposited.

(7) To receive interest-bearing and non-interest-bearing monies in deposit and in the way of endorsements (Giro).

(8) To keep and administer valuables.

(9) To grant interest-bearing loans, running for not longer than 3 months, with collateral security or against registered stock of the Reich or of a German State, to an amount not exceeding three fourths of the quoted rate of such converted stock.

§ 15.

The Private Note Banks may not:

(1) Discount bills of exchange and cheques at less than the published percentages of the Reichsbank; should the rate of discount of the Reichsbank, however, be 4 per cent or

less, the Private Note Banks are empowered to discount at ¼ per cent less than the Reichsbank rate.

(2) Accept bills of exchange, securities or goods as collateral at a percentage lower than that at which they are permitted to discount bills of exchange.

§ 16.

The Private Note Banks may not participate as partners in banking concerns, nor carry on banking business through branch offices nor cause banking business to be carried on for their account through agents, outside the State which has given them power to issue notes.

IV.—Notes Tax.

§ 17.

Private Note Banks, whose note issue exceeds their holdings of cash, with which is included the amount of their note issue allowed hitherto free of tax (§ 9 paragraph I of the Bank Law of March 14, 1875) or in any case two fifths of the maximum amount of circulation accorded them in § 3 paragraph II, are required to pay on the amount in excess a tax of one half of the current Reichsbank rate of discount, but not less than 5 per cent per annum.

For purposes of calculating this tax, the holdings of gold and foreign exchange (§ 7), including the holdings in notes of other German Banks, are considered as cash.

§ 18.

The President of the Private Note Bank has to determine, in accordance with § 17, the amount of the note circulation in excess which is subject to tax, on the 7th, 15th, 23d and last day of each month. The calculations of such sums are to be forwarded to the Finance Minister of the Reich and to the Minister for Economic Affairs of the Reich before the 10th day of each month for the weeks of the preceding month. The amount of Notes Tax thus arrived at is to be remitted to the Reichskasse before the end of the month.

V.—Publication of Statutes and Balance Sheet of the Bank.

§ 19.

The Private Note Bank is required to publish the position of its assets and liabilities in accordance with the following provisions.

The weekly publication must show:

1. *Under Liabilities:*

Original capital,
Reserves,
Amount of notes in circulation,
Other liabilities falling due from day to day,
Liabilities due at defined periods,
Other liabilities.

2. *Under Assets:*

Gold reserve (specie including German and foreign coined gold, the pound of fine gold being reckoned at 1,392 Reichsmarks):

Holdings of
Foreign exchange available for cover,
Other bills and cheques,
German small money,
Notes on other banks,
Loan credits,
Securities,
Other assets.

Further, any liabilities in respect of transferred bills payable in Germany are to be shown.

The Bank is further required to publish at its own charge in the Reichsanzeiger, 6 months at latest after the closing of each business year, an accurate balance sheet of its assets and liabilities, together with the year's profit and loss account.

The regulations in force for share companies apply to the balance sheets of the Private Note Banks, save as otherwise provided by this Law or by provisions issued in execution of this Law.

VI.—Right of Control.

§ 20.

The Minister for Economic Affairs of the Reich has authority at all times to examine the books, cash balances and business premises of the Private Note Banks for the purpose of verifying that the said Banks are observing the conditions and restrictions in regard to the issue of notes, laid down by law or statute, and that the weekly and annual statements published by them, and the documentary evidence furnished by them for purposes of tax calculation show the real position.

The Managing Board of the Bank is to submit to the Minister for Economic Affairs of the Reich at the end of each calendar quarter a written report dealing with the development of the Bank.

The Private Note Banks may only dispose of the gold in their possession upon the coming into force of this law, with the assent of the Minister for Economic Affairs of the Reich. This also applies to the liquidation of a Bank or the giving up, or loss of, the right to issue notes.

§ 21.

The Government of the State in which a Private Note Bank has its office, is authorised to exercise à control over the said Bank and to issue provisions concerning it, in so far as they are not in opposition to provisions legally issued by the Reich.

VII.—Reichsbank and Private Note Banks.

§ 22.

The notes issued by the Private Note Banks will be taken in payment at their full nominal value by the Reichsbank in Berlin.

by the branches of the latter in towns of more than 100,000 inhabitants, or by the branch situated in the town where the Bank which issued the notes is domiciled, so long as the issuing Bank punctually fulfils its obligations in regard to the redemption of the notes.

Upon the same conditions the Reichsbank will, at its branch offices, give Reichsbank notes in exchange to the holder of notes issued by the Private Note Banks within the State which has given them the privilege of issue, in so far as their reserve of notes and the requirements in connection with payments enable the said branches to effect such exchange.

The bank notes accepted or exchanged in accordance with paragraphs 1 and 2 will only be presented by the Reichsbank for redemption, or employed for payments to the Bank by which they were issued, or for payments within the territory of the State where this Bank is domiciled.

VIII.—Loss of the Privilege to issue Notes.

§ 23.

The privilege accorded to the Private Note Banks to issue notes expires:

(1) Upon the conclusion of the period for which it was granted;

(2) Upon the waiving thereof;

(3) In the case of bankruptcy, when proceedings are commenced against the Bank;

(4) When it is withdrawn in virtue of a judgment of the Courts;

(5) Upon a decree of the Government of the State in accordance with the statutes and privileges.

§ 24.

The withdrawal of the privilege to issue notes is to be pronounced by a judgment of the Courts upon a charge brought by the Minister of Economic Affairs of the Reich or the Government of the State in which the Private Note Bank is domiciled:

(1) If the provisions of the Statutes, the Privileges or the present Law concerning Cover for Notes in Circulation have been infringed, or the limits of bank note circulation as laid down by Statute, Privilege or Law, have been exceeded;

(2) Where the Bank transacts business prohibited under § 16;

(3) Where the Bank has infringed the provisions relating to the redemption of its notes;

(4) So soon as the original capital converted into gold marks has been reduced by one third, as a result of losses.

The decision in regard to the charge shall be arrived at in ordinary proceedings. In accordance with § 95 of the Law on the Constitution of Law Courts, the dispute is a commercial dispute.

The judgment must contain an obligation to withdraw the notes from circulation.

§ 25.

The judgment can only be put into effect after it has become legally valid. Upon request, the Court of First Instance dealing with the case fixes a date within which the Administration of the Bank is to notify the public with regard to the withdrawal of the bank notes from circulation.

Where bankruptcy proceedings have not been taken against the Bank, the Court appoints a controller, to supervise the calling in of the bank notes, the said controller being under the obligation to apply to the Court for the liquidation of the Bank if the latter does not fulfil its engagements in this connection.

The notes called in are to be delivered by the Private Note Bank to a public Cash Office situated in the place of domicile of the Bank, to be chosen by the Minister for Economic Affairs of the Reich.

§ 26.

Six months after the judgment has become valid under law, the Bank must pay in to the Cash Office chosen by the Minister for Economic Affairs of the Reich, a sum in cash equivalent to the amount of its bank notes which have not been delivered by that date. This cash amount will be reimbursed to the Bank in proportion to the notes further delivered by it, the balance being repaid upon the expiry of the last date fixed for redemption by the Reichsrat.

§ 27.

The notes delivered to the Cash Office (§§ 25, 26) are to be destroyed in the presence of the Head Cashier and the controller appointed to supervise the calling in of the notes. A judicial or notarial protocol will be drawn up in connection with the act of destroying the notes. The administration of the Bank may appoint two representatives to attend. The date fixed for destroying the notes must be notified to the Bank in each case by the superior authorities of the Cash Office at least eight days in advance. The notes may also be destroyed on various dates.

IX.—Penalties.

§ 28.

The members of the Boards of Private Note Banks will be:

(1) Subjected to imprisonment up to three months, if they knowingly give an untrue or indistinct idea of the position of the Bank in the publications prescribed in § 19;

(2) Subjected to a fine equivalent to ten times the amount issued in excess, but to a minimum of 5,000 marks, if the Bank issues more notes than it has been authorised to issue. Where a member can prove that he was not responsible for such an excess issue, the penalty does not apply;

(3) Subjected to a fine equivalent to ten times the amount of tax defrauded, but to a minimum of 500 marks, if the statements issued by them in accordance with § 17 and § 18 give too small a figure for the taxable amount of notes in circulation.

§ 29.

Where this Law provides for penalties in the form of fines, the fines are to be fixed in gold marks so long as the provisions of the Penal Code fix fines to be paid in gold marks. In this connection a gold mark is to be taken as the equivalent of a Reichsmark.

X.—Transition and Executory Provisions.

§ 30.

The Minister for Economic Affairs of the Reich may issue Executory Provisions with the assent of the Reichsrat.

§ 31.

The Modifying Laws, Executory Provisions and Notifications issued concerning Private Note Banks as supplementary to the Bank Law of March 14, 1875, are no longer in force.

This Law comes into force on the day on which the Bank Law of March 14, 1875, becomes null and void (§ 53 of the new Bank Law).

Berlin, August 30, 1924.

The President of the Reich,
Signed: EBERT.

The Minister for Economic Affairs of the Reich,
Signed: HAMM.

7. Second Decree concerning the entry into force of the Laws for the execution of the Experts' Report, dated October 10. 1924.

(Translation from the Reichsgesetzblatt II, October 11, 1924, p. 383.)

In virtue of § 52 of the Bank Law of August 30, 1924 (Reichsgesetzblatt II, page 235), § 20 of the Coinage Law of August 30, 1924 (Reichsgesetzblatt II, page 254) and § 21 of the Law relating to the Redemption of Rentenbank notes in circulation of August 30, 1924 (Reichsgesetzblatt II, page 252), the Government of the Reich decrees as follows:

§ 1.

The Bank Law and the Coinage Law, both of August 30, 1924, come into force as from October 11, 1924.

§ 2.

§§ 2 and 3 of the Law relating to the Redemption of the Rentenbank notes in circulation of August 30, 1924, come into force as from October 1, 1924, § 4 of the same law comes into force as from April 1, 1924; for the rest, the Law comes into force as from October 11, 1924.

§ 3.

This decree comes into force on the day of its publication.

Berlin, October 10, 1924.

The Chancellor of the Reich,
MARX.
The Minister of Economic Affairs of the Reich,
HAMM.
The Finance Minister of the Reich,
pp. FISCHER.

8. Decision No. 3249 of the Reparation Commission, May 29, 1926.

Having taken note of the memorandum prepared by the Commissioner of the Reichsbank dated May 13, 1926, and the letter of the Agent General for Reparation Payments dated May 15, 1926, and also his telegraphic letter of May 28, 1926, and the resolutions taken at the meetings of the Reichsbankdirektorium of May 21, 1926, and May 26, 1926, therein referred to, and subject to the approval of the General Council of the Reichsbank,

the Reparation Commission decided to inform the German Government that after consulting the Allied Governments signatory to the London Agreement of August, 1924, it raised no objection to the Bill for the amendment of the German Bank Law forwarded by the Kriegslastenkommission in its letter of April 30, 1926.

9. Decision No. 3286 of the Reparation Commission, July 3, 1926.

Having taken note of the letters from the Kriegslastenkommission dated April 30, June 18, and July 2, 1926, and of the observations of the Agent General for Reparation Payments made at the meeting of June 19, 1926, and of his telegram dated July 2, 1926, and of the telegrams from the Commissioner of the Reichsbank,

the Reparation Commission decides to inform the German Government that, after consulting the Allied Governments signatory to the London Agreement of August, 1924, it raises no objection to the modification of the German Bank Law suggested by the Central Economic Council of the Reich.

10. Law of July 8, 1926, in Amendment of the Bank Law.

(Translation from the Reichsgesetzblatt II, of July 13, 1926, p. 355.)

The Reichstag has passed the following Law, which is hereby published with the consent of the Reichsrat.

Article I.

The Bank Law of August 30, 1924 (Reichsgesetzblatt II page 235) is hereby amended as follows:

§ 1.

The following sentence shall be inserted in § 21 after Figure 2:

"(2a) to discount, buy and sell Treasury Bills of the Reich which have a currency of not more than three months, and which are backed by a person of known solvency in addition to the Reich.

"The amount of Treasury Bills of the Reich discounted or bought in accordance with this provision, or accepted as collateral in accordance with Figure 3g. may not at any time exceed altogether the amount of 400 million Reichsmarks. The amount shall be indicated in the weekly publications (§ 36 paragraph 2) and will not rank as note cover within the meaning of § 28."

§ 2.

The following provision shall be inserted in § 21 after Figure 3f:

"(g) Within the limits prescribed under Figure 2a paragraph 2 for Treasury Bills of the Reich with a currency of not more than three months, subject to a deduction of at least 5 per cent of their market value."

Article II.

The present Law will come into force on the date following its publication.

Berlin, the eighth day of July 1926.

The President of the Reich.
von HINDENBURG.

The Minister of the Reich for Economic Affairs.
CURTIUS.

PART IV. THE NEW RAILWAY COMPANY.

1. Report by the Organisation Committee of the German Railway Company.

London, July 24th, 1924.

We, the Organising Committee of the German Railway Company have the honour to submit the following Report on the work entrusted to us.

The Plan of the Experts contemplated that the two foreign Members appointed by name and the two Members nominated by the German Transport Minister should agree upon a fifth neutral Member to be added to their number. We have not found it necessary to proceed to this selection as no point has arisen which we have failed to settle by agreement amongst ourselves.. We have worked together harmoniously throughout, and the report which we now have to present is unanimous on all points.

Our principal task was to work out the scheme for the creation and constitution of the Company to which the management of the German railways is to be transferred and to define the control over the tariffs and operation of the Company which is to be reserved to the German Government. The scheme which we now have the honour to present is embodied in the draft Law and the draft concession attached to the Law and forming part thereof (Annexes I and II), which will have to be submitted to the Reichstag.

It is the outcome of the meetings which we have held in Paris from May 21 to June 3, in Berlin from June 15 to July 14, and in London from July 10 to July 24. It has involved not only exhaustive discussions in Committee but frequent references back to the German Government on a certain number of points. We have also found it necessary to give full consideration to the mutual inter-relation between our proposals and the provisions of existing German Legislation, and to bring the former and the latter into accord. On this matter we have called in English, French and German Jurists to assist us.

We have, as was our duty, built up the scheme which we now present on the basis of the Plan drawn up by the Experts' Committee and approved by you. But while the scheme which we submit is essentially that of the Experts' Plan, we have found it necessary in not a few cases to apply the principle which is sometimes described as interpretation.

The Experts' Plan left us free to work out details, and of this freedom we have availed ourselves. In some cases, however, we have found that the Plan was not wholly consistent with itself; that the proposals in the body of the Plan did not correspond with

the detailed proposals in the special Railway Annex. In the observations which we now proceed to make on the more important matters dealt with in the draft Law and draft Concession we shall call attention to the points where we have varied or gone beyond the proposals of the Experts' Plan.

A. The Composition of the Managing Board.

Section IX of the Experts' Plan contemplates that out of 18 Members of the Board of Management 14 may be German, and it prescribes that the President shall be a German. On the other hand, Annex 4 of the Report, which deals specifically with the railways, provides that, when the Preference shares are issued, the President shall be chosen from among the Members representing the Preference shareholders in substitution for Members originally nominated by the German Government. The Concession, as we have drawn it, provides that the Members representing the Preference shareholders shall be, like those whom they replace, of German nationality. Accordingly the Board of Management will always comprise 9 German Members, even if the Trustee, who according to the Plan *may* include, among the 9 Members whom he appoints, 5 Germans, should think fit to appoint 9 Members all of foreign nationality.

We have found it necessary to deal also with a further point in reference to the constitution of the Board. It is probable that only one-quarter of the Preference shares will be issued at the outset, and that the whole of the remainder may not be issued for some years to come. We have accordingly provided that, as each quarter of the Preference shares is issued, the holders shall be entitled to one representative, but that the obligation to select the President of the Board from among the Members representing the Preference shares shall not take effect until at least three Members representing these shares have been appointed.

B. Preference Shares.

We have left the Company free to fix the terms of issue of each series of Preference shares, provided that the rate of dividend is not higher than 7 per cent and that the price of issue is not below par.

We have, however, prescribed that if the Company should find that Preference shares cannot be issued except on terms less favourable to itself, it must come to an agreement with the Government before making the issue.

C. Government Control.—Special Tribunal and Arbitration.

One of our most important duties has been to fix the extent of the Government control over the railways, especially in the matter of operation and tariffs. On the one hand, it has not seemed possible to refuse to the Government such control as naturally belongs to the sovereign power. On the other hand, we have provided that this

control shall never be so exercised as to prevent the Company from earning a revenue sufficient to secure the interest on and repayment of the Bonds, and the dividend and repayment of the Preference shares.

The Experts' Plan provided that, in case of any difference under the Plan, recourse might be had to an Arbitrator appointed by the President of the International Court of Justice. But it has seemed to us that this machinery is not suitable for everyday use. We have accordingly instituted a special German tribunal, consisting of a presiding judge and a representative each of the Government and the Company, before which all differences between the Government and the Company shall go in the first instance. The Hague Arbitrator is in this case only a Court of Appeal, but a difference between any other two parties, which include the Government, the Company and the Reparation Commission or any Government represented thereon, is referred direct to him for final decision.

D. Reparation Bonds.

In reference to the Reparation Bonds we have simplified the somewhat puzzling proposal of the Plan that 5 per cent Bonds shall carry interest of 3 per cent the first year, 4 per cent the second, and 5 per cent thereafter, by saying that they are to be ordinary 5 per cent bonds, but that the railways shall not be expected to provide for more than a portion of the full interest during the first two years. It will devolve upon the Trustee, to whom the Reparation Bonds will be delivered, and who will have to settle their form and the terms of issue and payment, to provide accordingly.

E. Transport Tax.

In reference to the Transport Tax, the special Railway Annex provides that the whole proceeds shall go to Reparations. The body of the Plan in dealing with the payments as a whole, leaves this tax for the first year wholly to the Government, in the second year to the Government subject to payment by the Company of 250 million gold marks to the Agent for Reparation Payments, and in subsequent years to the Government subject to payment to the Agent of 290 million gold marks. We have assumed that this latter proposal, which fits in with the complete scheme of payments contained in the Plan, represents the final decision of the Committee of Experts upon this matter.

F. Payments of the Company on Account of Reparation Bonds.

In Section IX *B* of the Plan it is provided that payments on account of interest should be made by the Company as follows: 330 million gold marks in the first year and 465 million gold marks in the second year.

Later on in Section X.—"Summary of Provision for Treaty Payments"—it is stated that in the first year the Company is to

pay 200 million gold marks, and in the second year is to pay in addition to the 465 millions properly belonging to the second year, a balance of 130 million gold marks brought over from the first year. We have simplified this by saying that in the first year the Company is to pay on account of Reparations 200 millions, and in the second year 595 millions, this sum being made up of the 465 millions set out in Section IX *B* and the 130 millions brought over from the first year.

G. Expenses of the Commissioner's Office.

Section XI of the Plan proposes that the German liabilities as set out therein shall be "inclusive of all possible charges whether in or outside Germany, including the cost of the administrative controls which are set up by our Plan." The special Railway Annex, however, provides in definite terms that "the expenses of the Railway Commissioner and his staff shall be an operating charge upon the receipts of the railways." We have felt bound to assume according to the ordinary rules of interpretation that a specific enactment in an individual case overrules a general enactment applicable to all cases. But we have suggested a compromise whereby a sum to be paid by the Company for the expenses of the Commissioner's Office shall be fixed, subject to the approval of the Reparation Commission, by agreement between the Commissioner and the Organising Committee. If any sum beyond this figure should necessarily be incurred it would have to be charged on the moneys in the hands of the Agent for Reparation Payments. We submit this compromise for the approval of the Commission.

H. Working Capital.

Article I of the special Railway Annex provides that the German Government shall be entitled to receive the whole of the proceeds of the sale of the first quarter (500 million gold marks) of the Preference shares. We have found, however, that the new Railway Company is not likely to take over from the Deutsche Reichsbahn undertaking a sufficient amount of liquid working capital to make the position of the Company adequately safe in the earliest months of its existence.

The Company must, therefore, be in a position to obtain funds from outside if necessity arises. It has appeared to us that the Company will probably not be able either to issue at the outset more than the 500 million marks gold of Preference shares or to raise without security a loan, possibly amounting to as much as 250 million gold marks. For this purpose it seems that the most convenient course will be for the Company to be able to pledge the railways, subject of course to the Reparation Mortgage, as security for a loan.

We have accordingly provided that the Company may, if it finds it necessary, issue second mortgage bonds or short term notes charged on the railways—but only to an amount not exceeding 250 million gold marks—before issuing any Preference shares.

I. Exceptional Powers of the Commissioner.

Under Article IV of the special Railway Annex the Railway Commissioner would be entitled on any default in payment of the Reparation Bonds forthwith to operate, to lease or to sell all or any of the railways. We have after very full discussion and after being made acquainted with the views of the German Government dealt with this question in the following manner: Under Clause XXII of the Concession it will be the duty of the Railway Commissioner, if he thinks that the Reparation payments are in any way endangered, to discuss the situation with the Director General and, if he thinks fit, to go past the Director General to the Board of Management. Under Clause XXIV, if actual default occurs, the Commissioner can issue orders to stop expenditure or to advance rates, and may also require that the Director General be removed. If the payment of the Reparation Bonds is in arrear for six months, the Commissioner can, with the consent of the Trustee, go further. He can take into his own hands the operation of the railways, and sell any property not necessary for railway purposes. In the last resort he can concede the working of the railways in whole or in part to a new Company; but this he can only do after an Appeal to the Arbitrator appointed by the President of the International Court of Justice, who will make an Order to this effect, provided that it is shown that this measure is necessary and will secure the payment of the Reparation Bonds. It will be observed that we have departed from the Plan in so far that, even in the extreme case of default for six months, the Reich will still retain the ultimate ownership of the railways.

K. Railway Company's Bank Account.

The special Railway Annex, Article VII, provides that "the bank account of the railways shall be kept at the New Bank." We are not clear as to the precise intention of the Experts on this matter. The Concession as we have drafted it provides that the payments for the service of the Reparation Bonds and the proceeds of the Transport Tax shall be paid into the "New Bank". But we have not thought that we were in a position to recommend the enactment of positive legislation which would have the effect of depriving the Company of all control over the banking arrangements which it might be convenient to make, and which could only be altered hereafter by a very cumbrous procedure.

L. Railway Staff.

The change in the position of the railway staff, who from being State servants, will become the servants of a private undertaking has been to us a subject of very anxious consideration. With the help of the Jurists we have examined the situation with great care. The settlement at which we have arrived will be found in Sections 19 to 26 of the Law. The complete scheme provides that the railway staff retain a position which may be described as that of semi-public servants, and continue to enjoy the rights and privileges and to be subject to the obligations of public servants.

The draft of a special Law embodying the necessary adjustments to bring the old conditions of service into harmony with the new state of things has been submitted to us, and, in our opinion, this Law will effect the object in view. We attach a copy of it to this Report as Annex III for purposes of record, as it will be necessary that it shall be passed by the Reichstag in its present form, at the same time as the Railway Law and the Concession are themselves passed, or that if changes should be found necessary they should have our approval in accordance with the undertaking of the German Government contained in the letter dated July 19, 1924, which forms part of Annex III.

M. The Gold Mark.

In Section 46 of the Law we have defined a "gold mark." It is clear, however, that the definition of a gold mark ought to be the same in the Railway Law as in the Law dealing with the Industrial Debentures. It must be for the Reparation Commission to decide whether the definition is to be inserted in each of the separate Laws, or inserted once for all in a covering document.

N. Staatsvertrag.

In the special Railway Annex it is stated that, in accordance with the Law of April 30th, 1920, the consent of the German States is necessary for any alienation of or charge upon the German railways; that it will devolve upon the Government of the Reich to make the necessary arrangements with the States, and that these arrangements will have to be ratified by the Railway Law.

We understand that the matter has already been taken up between the Reich and the States, but that no agreement has yet been reached. Probably it will not be possible to reach an agreement until the drafts of the Law and the Concession, which we now submit, have been examined and approved by the Reparation Commission. The German members of the Committee have stated that the Government of the Reich will make the necessary arrangements and is prepared to satisfy the Reparation Commission in the matter, but does not regard it as necessary that these arrangements should be referred to in the Law. The foreign members of the Committee agree in thinking that nothing much would be gained by referring to these arrangements in the Law. On the other hand, they think that the result might be a delay in the passage of the Law, which would be from every point of view regrettable.[1]

O. Position of the Finances and Stocks in Hand of the Company.

We have felt that it was necessary to satisfy ourselves that the financial situation of the railways would not be such as to involve the Company in difficulties at the outset. The information which we have received shows that the resources of the Company will roughly suffice to meet its debts with the exception of debts to the Reich, which as at October 1st next—the date at which we have provisionally assumed that the transfer will take place—will

[1] See p. 263.

probably amount to 83 million gold marks for advances made under various heads. The Finance Minister has been good enough to give us a formal undertaking (Annex IV) that payment of these debts will not be required before April 1st, 1925, at the earliest. For the rest, if the Company is in need of further funds we have in an earlier portion of this Report dealt with the possibilities of its obtaining a loan.

On the operating side it is clear that an adequate stock of coal and of other materials of current consumption must be on hand. The present position of the Railway Undertaking is satisfactory in this respect, and we have received reasonable assurances that it will be equally satisfactory at the date of the transfer, that is approximately on October 1st. The documents which we submit to the Commission as Annex V form the record as to the situation, both from the financial and the operating point of view.

P. Further Duties of the Committee.

We have now finished the task of settling the terms of the draft Law and of the draft Concession. Before concluding our work it will remain for us to ensure the actual transfer of the railways to the Company according to the procedure prescribed in Section 47 of the draft Law.

Naturally this transfer cannot take place until the Law and the Concession have been approved by the Commission and passed by the Reichstag.

Q. Re-Establishment of the Unity of the Railways.

It is perhaps desirable to point out in conclusion that our work has been based on the Experts' Plan which contemplated the transfer of the entire German railway system to the Company at the outset of its operations.

In respect of the lines in the Rhine-Ruhr District, which are not at present operated by the Deutsche Reichsbahn undertaking, the Committee has not felt called upon to frame a scheme of transfer to the Company, as it has not been definitely empowered to deal with the matter. But, if the Reparation Commission or the Governments represented upon it should think fit to give the necessary instructions, the Committee would be ready to prepare a programme for carrying out this transfer.

Signed W. M. ACWORTH.
G. LEVERVE.
VOGT.
C. BERGMANN.

(1) Letter from the German Finance Minister.

The Finance Minister of the Reich.

London, July 19, 1924.

The Railway Organisation Committee has expressed the wish to be furnished with a definite statement as to the important debts owed by the Deutsche Reichsbahn undertaking to the Reich.

I have the honour to inform the Committee that important payments will be due from the Deutsche Reichsbahn undertaking to the Reich on October 1, 1924, as follows :—

(1) 20,000,000 gold marks, on account of an advance made in Rentenmarks in November, 1923.
(2) 38,000,000 gold marks, arrears of Transport Tax (approximate).
(3) 25,000,000 gold marks, amount of a credit given to the Deutsche Reichsbahn for retirement of Notgeld (so far the Reichsbahn has only availed itself of this credit to the extent of 8,000,000 gold marks, but it is assumed that the whole 25,000,000 will be required by October 1, 1924).

The debts under heads (1) and (2) fall due for payment on May 1, 1925. But payment of a certain portion of them can be deferred for a further reasonable period if the financial situation of the Reich permits it and the cash situation of the Company requires it. The debt under head (3) has to be paid in instalments, the last instalment being due on March 31, 1925.

By authority of the Finance Minister:

(Signed) FISCHER.

To

The Organisation Committee of the German Railway Company.
London.

(2) Letter from the German Minister of Transportation.

The Transport Minister. Berlin, July 8, 1924.

I have the honour to submit herewith a Forecast of the assets and liabilities of the Deutsche Reichsbahn undertaking as at October 1, 1924.

By authority of the Transport Minister:

(Signed) VOGT.

To

The Organisation Committee of the German Railway Company,
London.

Forecast of the Assets and Liabilities at October 1, 1924.

(A)—*Assets.*

	Gold marks
(1) Stocks and stores (Exhibit I)	500,000,000
(2) Cash in hand and at bank	160,000,000
(3) Sundry Accounts (Credit) (Exhibit II)	22,000,000
	682,000,000

(B)—*Liabilities.*

(1) Debts owing to the Reich:	
(*a*) Rentenmark loan	20,000,000
(*b*) Arrears of Transport Tax	38,000,000
(*c*) Loan for retirement of Notgeld	25,000,000
(2) Loan from Festmarkbank	20,000,000
(3) Accounts payable	20,000,000
(4) Sundry Accounts (Debit) (Exhibit III).....	27,000,000
	150,000,000

Exhibit I.— Stock and Stores.

(A)—*Operating Stocks.*

	Units.	Value. marks gold.
Coal	1,700,000 t.	44,200,000
Oils and grease	14,830,000 kg.	4,783,500
Miscellaneous	—	10,752,000
		59,735,500

(B)—*Permanent Way Stores.*

Rails	240,000 t.	36,000,000
Fastenings	120,000 t.	28,800,000
Points and crossings	100,000 t.	36,000,000
Sleepers, wood	9,200,000 pieces	60,800,000
Sleepers, iron and steel	150,000 t.	22,500,000
Miscellaneous	—	13,340,000
		197,440,000

(C)—*Shop Supplies.*

Copper	26,000,000 kg.	53,700,000
Brass and mixed metals	4,600,000 „	7,360,000
Iron	137,000,000 „	35,000,000
Steel	9,200,000 „	5,960,000
Tin and lead	618,000 „	940,000
Anti-friction metal	3,300,000 „	8,550,000
Tires	90,000 pieces	11,400,000
Brake blocks	1,600,000 „	11,200,000
Boiler tubes	2,000,000 „	4,400,000
Lumber	295,000 cbm.	28,350,000
Miscellaneous	—	75,960,000
		243,120,000
	Total	500,295,500

Exhibit II.— Sundry Accounts (Credit).

	Gold marks.
(1) Foreign railways, traffic divisions	7,000,000
(2) Clothing department	4,000,000
(3) Miscellaneous advances: Supplies and works done for private siding owners and foreign railway undertakings, loans to staff for expenses of moving house, legal proceedings, etc.	11,000,000
	22,000,000

Exhibit III.—Sundry Accounts (Debit).

(1) Caution money	6,000,000
(2) Sick Fund	4,000,000
(3) Pension Fund	2,000,000
(4) Supplementary Fund	1,000,000
(5) Foreign railway traffic divisions, operation on account of third parties, joint stations, wagon hire, etc.	8,000,000
(6) Moneys in hand on account of work to be done for private siding owners and others	6,000,000
	27,000,000

2. Law concerning the Deutsche Reichsbahn-Gesellschaft (Reichsbahngesetz), August 30, 1924.

(Translation from the Reichsgesetzblatt II of August 30, 1924, p. 272.)

The Reichstag has passed the following Law which is herewith published with the approval of the Reichsrat after the voting of the necessary legislation:—

§ 1.

Incorporation of the Company.

(1) A Company under the name of the "Deutsche Reichsbahn-Gesellschaft" is incorporated by the present Law to operate the Railways of the Reich.

(2) The Concession to the Company (Gesellschaftssatzung) annexed hereto forms part of the Law.

§ 2.

Conduct of the undertaking.

The Company shall operate the railways in accordance with business principles, due regard being paid to German economic interests.

§ 3.

Capital.

(1) The original share capital of the Company shall be fifteen (15) milliard marks gold, divided into two (2) milliards of preference shares and thirteen (13) milliards of ordinary shares.

(2) The preference shares shall be issued to bearer and shall be transferable by delivery. The ordinary shares shall be registered in the books of the Company in the name of the Reich, or, if the Government of the Reich so requests, in the name of a German State. No transfer of these ordinary shares shall be made except with the consent of the Reichsrat and the Reichstag, given by a two-thirds majority according to the provisions of Article 76, Section 1, sentences 2 and 3, of the Reichsverfassung.

§ 4.

Reparation Bonds. Reparation Mortgage.

(1) The Company shall immediately upon its incorporation issue Mortgage Bonds to a nominal amount of eleven (11) milliard marks gold (Reparation Bonds). The holders of these Bonds shall be represented by a Trustee appointed by the Reparation Commission, and the Bonds shall be forthwith handed over to him.

(2) By force of the present Law, for the benefit of the holders of these Bonds, there shall be created a first general mortgage (Reparation Mortgage) on all lands belonging to the Reichsbahn undertaking and on all lands being the property of the Company. The said mortgage shall rank before all existing mortgages and charges and shall cover everything attached to these lands and belonging either to the Reich or to the Company, and for this purpose all rolling stock of the Reichsbahn undertaking and all movable property of the Company shall be held to be attached to the said lands.

(3) Further by force of the present Law this mortgage shall likewise comprise all lands and everything attached thereto subsequently acquired.

(4) The lands and things attached thereto as defined above shall continue subject to the mortgage so long as they remain the property of the Reich or of the Company.

(5) The rights conferred by this mortgage over the lands and things attached thereto, and likewise the provisions as to interest and repayment of the Reparation Bonds, shall be governed wholly by the provisions of this law and of the Company's Concession (Gesellschaftssatzung) annexed hereto.

(6) No payment in respect of the said Reparation Bonds, whether on account of interest or redemption, shall be subject to any German taxation imposed directly on such payments.

§ 5.

The concession to the Company. Transfer of rights and obligations.

(1) The Reich shall concede to the Company the exclusive right to operate the railways of the Reich under the conditions set forth in this Law and the Company's concession (Gesellschaftssatzung). The concession shall terminate on December 31st, 1964, provided that at the said date the whole of the Reparation Bonds and all the preference shares shall have then been discharged, repurchased or repaid.

(2) The concession shall terminate at an earlier date, provided that at such date the whole of the Reparation Bonds and all the preference shares shall have been discharged, repurchased or repaid. On the other hand, if at December 31st, 1964, the whole of the said bonds and shares shall not have been discharged, or repurchased, or repaid, the concession shall be prolonged under the same conditions until such discharge, repurchase or repayment shall have been completed.

(3) The concession shall comprise the railways of the Reich, together with all their accessories, including the German Steamship Service on the Lake of Constance and other subsidiary undertakings, as they may exist at the date of the transfer of the Concession to the Company.

(4) Simultaneously there shall pass to the Company, in so far as is not contrary to the present Law and the Company's concession (Gesellschaftssatzung) and especially subject to the provisions of Section 43, all the rights and obligations attached to the railways of the Reich and to the "Deutsche Reichsbahn" undertaking, including those arising out of operating contracts. The transfer of the rights and obligations of the "Deutsche Reichsbahn" undertaking shall in all cases have legal effect to bind any other party that may have contracted with the said undertaking.

(5) The rights and obligations arising from the participation of the "Deutsche Reichsbahn" undertaking in other undertakings shall also be transferred to the Company as they exist at the commencement of the concession.

(6) At the same date all stock in hand and consumable stores of every kind, cash in hand and bank balances of the "Deutsche Reichsbahn" undertaking shall pass without payment to the Company. The said stock and stores shall at such date be adequate to ensure the continuance of the normal operation of the railways.

(7) All books, accounts, deeds, plans and other documents in the possession of the "Deutsche Reichsbahn" undertaking, shall be transferred to the Company. On the other hand, on the termination of the concession all such documents shall be transferred to the Reich.

§ 6.

Railway property of the Reich.

(1) The Railways of the Reich, including the participations either of the Reich Railway Administration or of the "Deutsche Reichsbahn" undertaking in other undertakings, shall remain the property of the Reich (*R*eichseisenbahnvermögen). Lands and everything attached thereto, including rolling stock, acquired by the Company for the service of the railways of the Reich, shall become by the fact of their acquisition by the Company and by force of this Law the property of the Reich.

(2) The Company shall be entitled to dispose of property belonging to the railways of the Reich in so far as in the opinion of the Company such disposal is not inconsistent with reasonable operating needs. Nevertheless, before disposing of any property the value of which exceeds 250,000 marks gold the Company shall be required, subject to the provisions of Section 8, to obtain the consent of the Government and also, so long as any Reparation Bonds are outstanding, the consent of the Trustee. The proceeds of any such sale paid to the Company, shall be applied by it in every case in accordance with regulations agreed upon between the Company and the Trustee.

§ 7.

Limited liability of Railway property for debts of the Reich.

The Reich railway property shall only be responsible for such obligations of the Reich as arise out of the previous administration of the railways of the Reich. Such obligations shall include those arising out of the "Agreement for the Transfer of the Railways of the States to the Reich" (Staatsvertrag über den Übergang der Staatseisenbahnen auf das Reich [Reichsgesetzbl. 1920, p. 774]), which under the provisions of Section 43 of this Law are transferred to and imposed on the Company.

§ 8.

Loans and credits.

(1) The Company shall have the right to raise loans on its own account, provided that their currency does not extend beyond January 1st, 1965, and for the purpose of such loans to mortgage the lands of the railways of the Reich. Any such charges shall rank after the Reparation Bonds referred to in Section 4 and shall be subject to the provisions of Clause 9 of the Concession.

(2) Loans, the currency of which extends beyond January 1st, 1965, can only be raised by the Company with the prior consent of the Government.

(3) In both the above-mentioned cases, the Reich shall assume responsibility for loans which continue current after the termination of the concession.

(4) Before the public issue of any loan the Company shall agree with the Government as to the conditions of the issue.

§ 9.

Operation.

(1) The Company shall assume responsibility for the safe operation of the railways of the Reich and for such adequate maintenance and development at its own expense of the undertaking, with all its accessories, as will meet the requirements of traffic and the progress in railway technique.

(2) Subject to these principles and other legal prescriptions and within the limits of the control reserved to the Reich (see Section 31 and following) the Company shall be entitled to operate the railways as it may think fit.

§ 10.

Monopoly.

(1) The Company shall have the exclusive right to operate all railways, whether of general interest (Allgemeinverkehr) or otherwise, which at the date of the coming into force of this Law are operated by the "Deutsche Reichsbahn" undertaking, as also all railways of general interest which subsequently may become the property of the Reich.

(2) The Company shall also have the exclusive right to build at its own expense and to operate any new railways of general interest for which a concession may be granted in the future. It may make, at its own cost, all necessary alterations in and additions to the railways which it operates.

(3) The Government may at any time require the Company to construct new lines of general interest even though the Company may consider that the construction and operation of such new lines will not be profitable or that they will compete unduly with the other lines of the Company. In any such case the construction and operation by the Company, if it so requires, shall be on account of the Reich, and the Company may further claim from the Reich compensation for the reduction caused by the operation of the new lines in the profits of the remainder of the system. If, on the other hand, the new lines increase the profits on the rest of the system, the Reich shall be entitled to set off any profits so derived against the cost of the operation of the new lines.

(4) If the Company is not in any way affected by the construction or operation of a new line of general interest the concession may be given to a third party.

(5) The construction of a new line of general interest as an extension of an existing private railway and the conversion of railways not of general interest into railways of general interest shall only be authorised if this does not entail undue competition with the Company's lines. The Reich shall give the Company due notice of any such schemes for construction or conversion.

§ 11.

Classification of Railways.

The Government of the German State concerned and the Company shall be entitled to be heard on the question as to whether a railway is to be considered as of general interest. The decision rests with the Minister of the Reich responsible for the control of the railways.

§ 12.

Transfer of rights under the concession.

No transfer to a third party of its rights under the concession, whether in whole or in part, shall be made by the Company without the previous consent of the Government of the Reich and of the Trustee.

§ 13.

Services to or by Departments of the Governments.

Any service rendered by the Company to the Posts and Telegraphs and other Departments of the Reich, to the States, Communes or joint communal authorities (Gemeindeverbände), and likewise any service rendered by these Departments, authorities or bodies to the Company, shall be paid for at such rates as would be reasonable if the transactions were of an ordinary commercial nature. The reduced rates hitherto conceded for military transport shall be maintained unless and until a fresh agreement is entered into by the Government and the Company.

§ 14.

Exemption from taxation.

The Company shall be exempt from any new direct tax on its net or gross receipts, on its movable or immovable property or on its personnel, and from any other new direct tax of the Reich, the States, Communes or joint communal authorities, or other public bodies. Any tax to which the "Deutsche Reichsbahn" undertaking was not subject on February 12th, 1924, shall be considered as a new tax.

§ 15.

Transport tax.

(1) The Company shall collect the transport tax at the rates in force on April 1st, 1924. An agreement may be entered into between the Government and the Company for the simplification of the method of calculation of the tax, provided that no such agreement shall entail any reduction in the total yield of this tax.

(2) In the first year of operation, the Company shall pay over the whole proceeds of the tax to the Reich. In the second year of operation, the Company shall pay 250 million marks gold to the account of the Agent for Reparation Payments at the "New Bank" and the balance of the proceeds to the Reich. In each subsequent year of operation until the end of the concession and of any extension thereof the Company shall pay 290 million marks gold yearly to the Agent for Reparation Payments and the balance of the proceeds to the Reich. The payments by the Company shall be made monthly.

§ 16.

Other laws; their application to the Company.

(1) The Company shall not be subject to the laws and statutory regulations which apply to commercial companies, except so far as they are expressly declared by the present Law or by the Company's Concession (Gesellschaftssatzung) to be applicable to the Company.

(2) Sections 178, 179 (Sub-section 1), 181, 210 (Sub-section 1) 211, 213, 214 (Sub-section 1), 217 (Sub-sections 1 and 3), 225, 228-230, 231 (Sub-section 1), 232 (Sub-section 1), 235-237, 239, 245, 248, 249 (Sub-sections 1, 2 and 4), 312, 314 (Sub-section 1 No. 1, and Sub-sections 2 and 3) of the Commerce Code (Handelsgesetzbuch) shall apply to the Company with the necessary alterations, provided that the words "General Meeting" and "Supervisory Council" (Aufsichtsrat) shall be held to refer to the Board of Management (Verwaltungsrat) of the Company.

(3) The Laws and statutory regulations (Verordnungen) which apply in general to all railways in Germany shall apply to the Company in so far as they are not in contradiction with the present Law or the Company's Concession (Gesellschaftssatzung). The provisions of such laws and regulations as concern solely private railways and which deal especially with the concession, operation or inspection of such railways shall not apply to the Company.

(4) The Company shall be entitled to claim for itself and its personnel the benefit of the provisions which exist in favour of the

Departments of the Reich and their personnel in the matter of the Versicherungs-, Wirtschafts-, Arbeits-, Fürsorge- and Wohnungsrecht (insurance, household requirements, work, benefits and housing). The Minister of the Reich responsible for the control of the railways shall issue any such ordinance or ordinances as may be necessary to carry the above provision into effect. Subject as above the Director General shall exercise the functions of the supreme authority of the Reich (Oberste Reichsbehörde).

(5) The provisions of the Gewerbeordnung (Laws concerning trades and industries) shall not apply to the operation of the Company.

(6) The provisions of the Commerce Code relating to entry in the Commerce Register and to the legal consequences of such entry shall not apply to the Company.

§ 17.

Company officials not State officials.

The authorities of the Company shall not be authorities or official organs of the Reich. They shall, however, retain such rights of a public authority as have hitherto been enjoyed by the authorities of the "Deutsche Reichsbahn" undertaking. The Company shall be entitled to use a seal displaying the German eagle.

§ 18.

Representation of the Company.

The Board of Management (Verwaltungsrat) and the Directorate (Vorstand) shall have authority to represent the Company and to act in its name subject to the restrictions laid down in the Company's Concession.

§ 19.

Legal position of the personnel.

(1) The rights, duties and conditions of service of the personnel of the Company shall be determined by the Staff Regulations (Personalordnung), which shall be drawn up by the Company in conformity with and subject to the following provisions:

(2) Provided that the laws and statutory regulations of general application in reference to labour benefits and insurance shall apply to the Beamte (Permanent Staff), employees and workmen of the Company in so far as they do not conflict with the provisions of this Law and of the Company's Concession.

(3) A new separate law (Reichsbahnpersonalgesetz), which shall take effect simultaneously with this Law, shall bring the legal provisions at present in force in this matter into accordance with the provisions of this Law.

(4) Until the Company's staff regulations come into force, the personnel of the Company shall be governed by the provisions and service regulations hitherto applying to the personnel of the "Deutsche Reichsbahn" undertaking, so far as such provisions are not contrary to the provisions of the present Law.

§ 20.

Protection of existing rights.

(1) The Reichsbeamte (Permanent Staff) at present in the service of the Deutsche Reichsbahn undertaking with the exception of such as are entrusted with control functions on behalf of the Government, shall as from the date of the concession become Beamte of the Company (Reichsbahnbeamte). These Beamte shall retain the rights which they possessed as Reichsbeamte in respect of full pay, half-pay (Wartegeld), pension, allowances to surviving dependents, as also in respect of the continuance of full pay during sickness or holidays.

(2) Beamte at present entitled to be taken back into the service of the Deutsche Reichsbahn undertaking shall retain the same right as against the Company.

(3) The Company shall also take into its service the Angestellte (employees) and workmen employed by the Deutsche Reichsbahn undertaking, with their respective rights and obligations.

§ 21.

Local employment of staff.

The Beamte, employees and workmen of the Company shall as a general rule be employed in the State of which they are citizens. Upon request they shall further be employed, as far as possible, subject to their qualifications and the needs of the service, in the region of their homes.

§ 22.

Staff Regulations.

(1) The Staff Regulations to be drawn up by the Company shall in particular determine the following matters, subject always to the provisions of this Law:

(*a*) The conditions of appointment and promotion of Beamte;
(*b*) Their classification;
(*c*) The salaries, whether full pay or half pay (Wartegeld) and all permanent allowances of the Beamte, as also the pension scale and allowances to surviving dependents;
(*d*) Hours of work of Beamte;
(*e*) Conditions of service and salaries and wages of Angestellte and workmen so far as they may not be the subject of contracts;
(*f*) Conditions of admission and appointment of such candidates as are entitled to civil employment.

(2) The Company shall have the right so to fix the hours of work of its employees and workmen as to correspond with the regulations which it may make for the work of its Beamte.

(3) The Company in drawing up its Staff Regulations, shall have regard to the special conditions of railway service, but shall never fix the rights, duties and conditions of service of its Beamte without due consideration of the regulations applying to Beamte of the Reich.

§ 23.

Duties of Beamte.

(1) Every Reichsbahnbeamter shall be under obligation to protect the public interest and the interests of the Company.

(2) In case of breach of duty, the Reichsbahnbeamte shall be subject to the same disciplinary procedure with the necessary changes as is provided for in the case of Beamte of the Reich. In any such case, the Director-General or his authorised representatives shall possess the powers of the supreme authority of the Reich (Oberste Reichsbehörde).

(3) The Director-General shall be the supreme head of all the personnel of the Company.

§ 24.

Employment in lower grades. Half pay.

A Reichsbahnbeamter can be employed in a lower grade capacity, when the necessities of the service so require. He may also be placed temporarily on half pay (Wartegeld).

§ 25.

Persons entitled to civil employment.

In future appointments of Beamte and employees the Company shall reserve 15 % of the vacancies for such candidates as after service in the Army, the Navy or the Police have a preferential right to civil employment.

§ 26.

Reservations as to salaries.

(1) In fixing the pay and permanent allowances of the Reichsbahnbeamte other than superior officers (Leitende Beamte) the Company shall take into consideration the position of Reichsbeamte.

(2) If the Company proposes to increase the pay and permanent allowances of any class of Reichsbahnbeamte other than superior officers, it shall communicate its proposals in advance to the Government. The Government shall thereupon be entitled within 20 days to object to such proposals or to require their modification in any case where they might tend by their reaction upon the situation of Reichsbeamte to impose upon the Reich a serious burden. In case of disagreement between the Government and the Company, the Company may appeal to the Tribunal established under Section 44 of this law. In such case the existing pay and permanent allowances shall continue to be paid until the decision of the Tribunal is given.

(3) This provision shall not affect the right of the Company to grant bonuses in special cases, provided that the total of such bonuses shall never exceed a sum equal to five (5 %) per cent of the total pay and permanent allowances of the Beamte.

(4) The Company shall be free to fix the emoluments of such officials as the Board of Management may designate as superior officers.

§ 27.

Unity of the undertaking.

The railways conceded to the Company shall always be so operated and managed as to preserve the character of the Company as a unified undertaking, especially in matters of tariffs and finance.

§ 28.

Domicile of the Company.

For the purpose of legal proceedings the Company shall be held to be domiciled in the place where is situated the Directorate, central or local, empowered by the standing orders of the Company to represent it.

§ 29.

Accountancy.

The Company's accounts shall be kept according to the principles of commercial accountancy, in such a manner that the financial position of the undertaking may be clearly ascertained at any moment.

§ 30.

Balance sheet, Profit and Loss Account.

(1) The Company's balance sheet and Profit and Loss Account shall be published yearly, within six months after the close of each financial year.

(2) The Government shall have the right to examine the Company's Balance Sheet and Profit and Loss Account at any time, to inspect all such books of account concerning the Balance Sheet and Profit and Loss Account as are kept at the Head Office of the Company and to call for all necessary information, provided that no special expenditure is thereby entailed on the Company.

(3) The Reichshaushaltsordnung (Budget System) shall not apply to the Company.

§ 31.

Government Supervision.

The Government reserves over the Company the rights following :—

(1) The right to ensure that the Railways of the Reich together with all their works, rolling stock, plant and material are maintained and operated in a manner consistent with safety and public convenience (cf. Section 9, Sub-section 1);

(2) The right to approve:

(*a*) The permanent closing for traffic of a line or of an important station;

(*b*) The introduction of new apparatus or appliances, or the replacement of existing apparatus or appliances in any case where such introduction or replacement is on an important scale or intended to be generally applied, such as the extension or restriction of electric traction or changes in the system of train protection. The Company shall remain solely responsible for the technical details of construction.

(3) The right to approve the acquisition of other undertakings or the participation in other undertakings not directly connected with the operation of the railways of the Reich;

(4) Such participation in fixing tariffs as is specified in Section 33;

(5) Such participation in fixing passenger train services as is specified in Section 35;

(6) The right to approve the abolition of any of the existing classes of passenger vehicles;

(7) The right to supervise the maintenance of emergency services.

§ 32.

Government's right to information.

The Government may require the Company to furnish all information of a financial nature; and, within the limits of its rights of supervision, all information of a technical and administrative nature, provided that no unnecessary expense is thereby caused to the Company.

§ 33.

Tariffs.

(1) The Company shall at the outset charge the tariffs at that moment in force. Subsequently it may change these tariffs or any of them under the conditions set out hereafter. The provisions contained in Treaties in force in reference to tariffs shall be observed by the Company.

(2) There shall be submitted for the approval of the Government any alteration in the methods of tariff application prescribed by the Eisenbahn-Verkehrsordnung (Traffic Prescriptions), in the general tariffs, including the general tariff regulations, in the freight classification and in the scale of supplementary charges, as also the introduction, alteration or withdrawal of international or exceptional tariffs or of any other special concessions in tariffs.

(3) The approval of the Government shall be held to have been given if the Company has not received a reply from the Minister of the Reich responsible for the control of the railways within twenty days of its application for approval. The definite decision of the Government on any tariff proposal submitted by the Company shall always be given with the least possible delay. The existing tariffs shall remain in force until the Government has rendered its decision, or, in case of disagreement between the Government and the Company, until the judgment of the Tribunal, or, as the case may be, of the Arbitrator under the provisions of Sections 44 and 45 of this law, has been pronounced.

(4) The Government may renounce the right of previous approval in such cases as are not of important public interest. In any such case alterations made are to be notified forthwith to the Government.

(5) The Government may further call for a reduction in tariffs or any other alteration in tariff provisions which it considers necessary in the interests of the national economy. In case of

difference between the Government and the Company the case shall be referred to the Tribunal or the Arbitrator under the provisions of sections 44 and 45 of this Law.

§ 34.

Protection of the interest and sinking fund.

The rights of supervision and control of the operation and tariffs of the Railways reserved to the Government by the present law shall never be so exercised by the Government as to prevent the Company earning a net revenue adequate to secure the regular payment of interest and sinking fund on the bonds and the preference shares.

§ 35.

Time-tables.

(1) The Company shall submit to the Government the proposed passenger time-tables for the coming year or half-year, as the case may be. In the case of international trains, such time-tables shall be submitted to the Government before their international discussion.

(2) The Company shall as far as possible comply with the Government's proposals for alterations.

§ 36.

Negotiations with foreign Governments.

The Company shall not enter into negotiations with foreign Governments without the previous consent of the German Government which reserves the right of approval.

§ 37.

New works.

(1) The construction of new lines, the purchase of existing lines and the conversion of a secondary line (Nebenbahn) worked by the Company into a main line (Hauptbahn) and *vice versa* require the consent of the Government.

(2) Any dispute arising between the Company and the police authorities of a German State in regard to the plans for the construction of new works, and the modification of existing works of the railways of the Reich shall be decided by the Government of the Reich as the final authority. The Government shall have the same authority in settling the limits of deviation of new lines. In such cases the Company shall submit the plans together with the report of the local authorities, in so far as Article 94, sub-section 1, of the Constitution of the Reich requires, to the Minister of the Reich responsible for the control of the railways for his countersignature.

(3) The Company shall be free to settle the plans for any works for which the Government authorisation is not required by subsection 2 above.

(4) In all cases in which the plans render necessary the taking of lands by compulsion, the approval referred to in the present Section will be only given provisionally.

(5) The Company in carrying out its works will be responsible for compliance with all police and safety regulations. The works will not be officially passed.

§ 38.

Compulsory taking of lands.

(1) The Company shall possess the right to take lands compulsorily for the purposes for which it is established.

(2) On the application of the Company, the President of the Reich shall be the sole authority to decide in each case whether the right may be exercised. When the Company desires to enter upon lands for the purpose of preliminary works, the Minister of the Reich responsible for the control of the railways shall be the sole authority to permit such entry after hearing the police authorities of the State concerned. The final decisions as to the method of execution and the extent of the lands to be taken shall be given by the Minister of the Reich responsible for the control of the railways after hearing the police authority of the State concerned, except in so far as this decision has to be given by an administrative tribunal. In other respects the laws of the respective States as to the compulsory taking of lands shall apply.

(3) The previous consent of the Government of the Reich shall be necessary before the compulsory taking of any portion of the property of the Reich railways or of the Company's lands.

§ 39.

Respective rights of road and rail.

When, at any point where a railway crosses a public road, the growth of traffic or any other change of circumstances renders necessary an alteration either of the railway, or of the public road, or of both railway and road, the costs shall be borne wholly by the Company if the alteration is required exclusively to meet the needs of the railway service; they shall be borne wholly by the road authority if the alteration is required exclusively to meet the needs of the road traffic; they shall be divided equitably between the two parties if the alteration is required to meet the needs of both parties. In case of disagreement as to the division of the costs, the question shall be decided without appeal by the Minister of the Reich responsible for the control of the railways, except in cases where such decision has to be given by an Administrative Tribunal.

§ 40.

Supervision of private railways.

The Government shall be entitled to employ certain authorities of the Company, more particularly the Directorates, to inspect railways which are not worked by the Company (Article 95 of the Constitution of the Reich). This inspection shall be made in

conformity with the instructions and on account of the Government. The officials of the Company entrusted with such inspections shall be specially sworn for the purpose.

§ 41.

Expiration of the concession.

(1) As from the expiration of its concession the Company shall hand back to the Government in good condition and free of all cost the undertaking and everything attached thereto, together with an adequate supply of stocks and stores and all subsidiary works and undertakings. The Company shall also transfer to the Reich its participation in other undertakings. On such re-transfer, the Reich shall be held to take over all the rights and obligations connected with the Company's operation.

(2) On the expiration of the concession the Reich shall be substituted for the Company in all current contracts which the Company may have made.

§ 42.

Liquidation.

After the expiration of the Concession, the Company shall forthwith go into liquidation. Such of its property as remains after meeting all the debts and obligations which the Reich has not taken over shall pass to the Reich.

§ 43.

Staatsvertrag.

(1) There shall be transferred to and imposed upon the Company the rights and obligations of the Reich arising out of the provisions of the " Agreement for the Transfer of the Railways of the States to the Reich " (Staatsvertrag über den Übergang der Staatseisenbahnen auf das Reich), of the Protocol thereto, and of the Law of April 30, 1920 (Reichsgesetzblatt 1920, p. 773), with the exception of the provisions following, Sections 3 to 7, 17, 20, 25, 33, 37 and 43 of the Agreement, Nos. 2 and 3 of the Protocol to Section 22, No. 2 and the last sentence of No. 3 of the Protocol to Section 24, No. 2 of Section 36, and the Protocol to Section 37.

(2) Differences as to the interpretation or application of the provisions of the said Agreement, so far as they are applicable to the Company, shall be determined exclusively in accordance with the provisions of Sections 44 and 45 of this law. In any such proceedings the States shall be represented by the Reich.

§ 44.

Special Tribunal.

(1) In case of difference between the Government and the Company in respect of the interpretation of the provisions of this Law and of the Company's Concession (Gesellschaftssatzung) or in respect of the steps to be taken under this Law and the Concession or in respect of any question of the same nature such difference shall be submitted to the Special Tribunal.

(2) The Tribunal shall have its principal office at the Reichsgericht. The Tribunal shall be composed of a President and two other members. The President of the Reichsgericht shall appoint for a period of five years the President of the Tribunal and also a deputy, to act if the President is unable to serve. The President and his deputy shall be experienced judges of German nationality and shall be re-eligible. The other two members of the Tribunal shall be appointed for each difference by the President of the Reichsgericht, the one on the nomination of the Government and the other on the nomination of the Company. Subject to the above provisions, the provisions of Sections 19 (sentences 2 and 3), 20 to 22, 24 to 26, 28 (sub-section 1), 29 (sub-section 1 and sub-section 2, sentence 1), and 30 of the Act, concerning the Staatsgerichtshof (Reichsgesetzblatt 1921, p. 905) shall apply with the necessary alterations to the Tribunal. The practice and procedure of the Tribunal shall be laid down in Rules made by the President of the Reichsgericht and published in the Reichsgesetzblatt.

(3) If either the Government or the Company consider the decision of the Tribunal liable to imperil the due payment of interest and sinking fund of the Reparation Bonds, either party may within a month after the decision is rendered appeal to the Arbitrator provided for in Section 45.

(4) The Government or the Company may also appeal to the said Arbitrator (section 45), if, within a period of three months in tariff matters or of one year in any other case, reckoning from the date of submission of the difference to the Tribunal, the Tribunal has not given its decision, and if the due payment of interest and sinking fund of the Reparation Bonds is thereby imperilled. Such appeal shall have effect to vacate the proceedings before the Tribunal.

§ 45.

Arbitrator.

(1) If any difference should arise between the Reparation Commission or one of the Governments represented on the said Commission, or the Trustee, or the Commissioner charged with the protection of the interests of the holders of the Reparation Bonds, on the one hand, and the Government of the Reich and the Company, or either of them, on the other hand, or between the Government and the Company, but subject in this latter case to the provisions of Section 44 of this Law, whether such difference be in reference to the interpretation of any provision of this law or of the Company's Concession (Gesellschaftssatzung), or in reference to steps to be taken to carry out this Law or the Concession, or any question of the same nature, such difference shall, until such time as the whole of the Reparation Bonds have been paid off, be submitted for the decision of an Arbitrator.

(2) The said Arbitrator shall be appointed by the President for the time being of the Permanent Court of International Justice and shall, if either party to the difference so require, be of neutral nationality. The decision of the Arbitrator shall be final and without appeal.

§ 46.

Gold mark.

All payments to be made to the Agent for Reparation Payments according to this law and the Concession (Gesellschaftssatzung) are to be made in gold marks or their equivalent in German currency. A gold mark shall be considered as equal to the London price of 1/2790 kilogramme of fine gold on the third Stock Exchange day before the day on which the payments have to be made. For purposes of exchange there shall be taken the average rate (Mittelkurs) of the last official quotation in Berlin of a telegraphic transfer on London on the third Stock Exchange day before the day on which the payments have to be made. In case of payments before the due date the value of the gold mark shall be calculated as on the actual day of payment instead of on the due date.

§ 47.

Temporary provisions.

(1) This law shall come into force on the day following the day of its publication.

(2) The transfer of the Concession to the Company shall be carried out in the following manner:

(3) So soon as the Government and the Trustee shall have nominated the members of the Board of Management, who, in accordance with this Law are required to be nominated by each of them respectively, they shall so inform the "Organisation Committee of the German Railway Company," and the Committee shall thereupon summon the first meeting of the Board.

(4) The Board shall thereupon elect its President and one or more Vice-Presidents, and nominate the Director General of the Company whose nomination shall be submitted for confirmation to the President of the Reich.

(5) It will be the duty of the Director General, subject to the approval of the Board, to work out in conjunction with the Transport Minister, all preliminaries necessary for the transfer of the concession.

(6) It shall be the duty of the Director General to examine in conjunction with the Transport Minister the main features of the situation of the undertaking to be transferred to the Company, that is to say, the stocks and stores of every kind, the cash in hand and the bank balances. The stocks and stores shall be broadly equivalent in total value to those entered in the statement submitted to the Organisation Committee by the Transport Minister under date of July 8, 1924, such stocks and stores being valued on the same basis as was employed in making the inventory of July 8. The statement of July 8, 1924, also enumerates all liabilities of serious importance of the undertaking "Deutsche Reichsbahn" existing at that date, the responsibility for which will be assumed by the Company.

(7) In case of any difference, either the Transport Minister or the Director General may submit the difference to the Organisation Committee whose decision shall be final.

(8) When all the preparations for the transfer of the Concession have been made, the Transport Minister and the Director General shall report jointly in writing to that effect to the Organisation Committee, who shall thereupon report in writing to the Government that the Company is prepared to take over the Concession. The transfer of the Concession shall thereupon become legally effective. The date of the transfer shall be published in the Reichsgesetzblatt, and thereafter the Statutory Decree of February 12, 1924 (Reichsgesetzblatt I, page 57), creating the Deutsche Reichsbahn undertaking shall cease to have effect.[1]

Berlin, the 30th day of August 1924.

The Reichspräsident,
EBERT.
The Reichsverkehrsminister,
OESER.
The Reichsminister der Finanzen,
Dr. LUTHER.

3. Concession of the Deutsche Reichsbahn-Gesellschaft (Company's Statutes).

(Translation from the Reichsgesetzblatt II of August 30, 1924, p. 281.)

§ 1.

Name of the Company.

(1) The name of the Company shall be the Deutsche Reichsbahn-Gesellschaft (German Reich Railway Company).

(2) Its legal status is fixed by the Deutsche Reichsbahn-Gesellschaft Law of August 30, 1924, and by this Concession which forms part of the Law. The Head Offices of the Company shall be in Berlin.

(3) The Company's financial year shall begin on January 1, and shall end on December 31 of each year, provided that the first financial year shall begin on the day on which according to Section 47, sub-section (8), of the Law, the Company commences operations, and shall end on December 31, 1925.

§ 2.

Objects of the undertaking.

The undertaking is incorporated for the purpose of operating the Railways of the Reich, including future extensions, and of engaging in all the operations attaching thereto or involved therein as set forth in the Law.

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[1] The transfer became effective on October 11, 1924, as provided in a decree dated October 14, 1924 (Reichsgesetzblatt II, October 17, 1924, p. 386).

§ 3.

Original capital.

The Company's original capital shall consist of fifteen (15) milliard marks gold divided into two (2) milliards of preference shares and thirteen (13) milliards of ordinary shares.

§ 4.

Preference shares.

(1) The preference shares shall be issued as payable to bearer and be transferable by delivery. They will carry with them a right to the repayment of capital on or before the termination of the Concession and the right to a preferential dividend. Should the preferential dividend not be fully paid in any year it shall be paid out of the profits of subsequent years. If a dividend is paid on the ordinary shares an additional dividend shall be paid on the preference shares in accordance with the provisions of Clause 25 below.

(2) The preference shares may be issued in different series and with different rights. The Company shall be free to fix the conditions of issue of each series, provided that the rate of dividend is not higher than seven per cent. (7 %) and that the price of issue is not less than par. If it appears hereafter that preference shares cannot be issued except on terms less favourable for the Company, the Company must come to an agreement with the Government before making the issue.

(3) Any series of preference shares may be redeemed in whole or in part after the commencement of the sixteenth year from the date of its issue. Notwithstanding, if all the Reparation Bonds have been redeemed or paid off within a shorter period the Company shall be at liberty forthwith to redeem the preference shares.

(4) Should it be impossible, for reasons outside the control of the Company, to make payment to the bearers of certain shares, the necessary funds shall be paid into Court ; this payment into Court shall operate in discharge of the Company as if the shares had been paid off.

(5) The preference shares must all be paid off at the end of the Concession.

(6) The preference shares shall be redeemed at the rates fixed below with the addition of current dividends and arrears, if any; in the case of redemption before the termination of the twenty-fifth year from the commencement of the Concession, the redemption price shall be 20 % above the par value of the shares; in case of redemption between the twenty-sixth and thirty-fifth year the redemption price shall be 10 % above the par value. After the thirty-fifth year the redemption shall be at par.

(7) Subject to the above provisions, the Government may call upon the Company to exercise its right to redeem the shares provided that the Reich places the necessary funds at the disposal of the Company.

§ 5.

Division of proceeds from the sale of preference shares.

(1) One-fourth (¼) of the total proceeds of the issue of preference shares shall be the property of the Reich and three-fourths (¾) the property of the Company. Notwithstanding, the proceeds from individual issues may by agreement between the Government and the Company be divided differently, provided that the total shall be divided as set forth above.

(2) During the first two years after the commencement of the concession the Company shall sell preference shares to the nominal value of five hundred (500) million marks gold. The Government may claim that the whole of the proceeds of this sale shall be assigned to it.

§ 6.

Ordinary shares.

(1) The ordinary shares shall be registered in the name of the Reich, or if the Government of the Reich so requests, in the name of a German State.

(2) The ordinary shares shall entitle the holders to the payment of a dividend under the conditions set forth in Clause 25.

§ 7.

Form and wording of the certificates.

The Board of Management (Verwaltungsrat) shall settle the form and wording of the share certificates, provisional certificates and coupons and the nominal value of the shares.

§ 8.

Reparation bonds.

(1) The Company shall, forthwith after its incorporation, issue without payment to the Trustee appointed by the Reparation Commission first mortgage bonds (Reparation Bonds) to a nominal amount of eleven (11) milliard marks gold. These bonds shall bear interest at the rate of five per cent. (5%) per annum, and shall be redeemed after the fourth year from the commencement of the Concession at the rate of one per cent. (1%) per annum plus the interest saved by redemption.

(2) The annual payments by the Company for the service of the bonds shall notwithstanding the provisions of the previous subclause be limited during the first three years after the commencement of the Concession as follows:—

(*a*) For the first year to two hundred (200) million marks gold;

(*b*) For the second year to five hundred and ninety-five (595) million marks gold;

(*c*) For the third year to five hundred and fifty (550) million marks gold.

From and after the fourth year the annual payment of the Company for the service of the bonds shall be six hundred and sixty (660) million marks gold. For the purpose of such payments the year is to be taken as meaning a completed period of twelve (12) months. The aforesaid payments represent the total payments to be made by the Company for the service of the Reparation Bonds.

(3) The payments shall be made twice a year in equal instalments at the end of each half year in accordance with the Trustee's instructions, provided that in the case of the first payment it shall be calculated on the actual period of operation of the Company's Concession.

(4) The payments shall be made to the "New Bank" to the credit of the "Agent for Reparation Payments" for the account of the Trustee. The Trustee shall assure the due payment of the interest and sinking fund of the bonds by means of the funds to be remitted to him by the said Agent for the purpose.

(5) The Company shall in accordance with Clause 25 make its payments out of the net operating income of the railways, having recourse in case of need to all its reserves.

(6) The payments are further guaranteed by the Government of the Reich. For this purpose the Government may either place the funds necessary for the payment at the Company's disposal or may remit the payments directly to the "Agent for Reparation Payments" for account of the Trustee.

(7) Finally, in case of a failure to pay the interest and sinking fund at due date, the Trustee may present the accrued coupons or any bonds due for repayment to the Commissioner for Controlled Revenues appointed by the Reparation Commission, who is to pay them at their face value out of that portion of the proceeds of the assigned revenues which is returned to the Reich.

(8) Any sums which the Government or the Commissioner for Controlled Revenues may have paid under the Reich's guarantee shall be repaid by the Company to the Government after the necessary provision has been made for the current and the next coupons on the bonds and for the fixed dividend for the current year on the preference shares.

(9) The bonds shall bear the signatures of an authorised representative of the Company and of the Reichsschuldenverwaltung as the competent authority of the Reich.

(10) The form of the bonds and all conditions as to payment of their coupons and their redemption shall be settled by the Trustee with the approval of the Reparation Commission.

(11) The Government and the Company shall be entitled at any time with the consent of the Reparation Commission to pay to the Trustee sums additional to the above payments. The Commission shall ascertain from the "Transfer Committee" that the transfer of these additional sums will not disturb the transfer of the annual Reparation payments. Any sums so paid shall be applied first to the discharge of any interest in arrear and next, upon six (6) months' public notice, in redeeming at par all or any of the bonds for the time being outstanding.

(12) The Company may purchase the bonds on the bourse or otherwise.

(13) Should it be impossible for reasons outside the control of the Company to make payment to the bearers of certain bonds the necessary funds shall be paid into Court; this payment into Court shall operate in discharge of the Company as if the bonds had been paid off.

(14) The Trustee shall render a half-yearly report to the Reichsschuldenverwaltung and to the Company on the manner in which the sums paid for the interest and redemption of the bonds have been employed.

(15) The Reparation Commission shall be entitled, with a view to the mobilisation of the bonds, to have the same divided in any manner which it may think expedient, into different classes with different rights as to priority of charge, rate of interest or repayment of capital, provided that the total annual charge shall not be increased nor the period during which the payments are required to be made be thereby prolonged in respect either of the Government or of the Company.

§ 9.

Other bonds.

(1) Bonds other than those enumerated in § 8, or other loans secured on mortgage, shall not be issued by the Company save by virtue of a resolution of the Board of Management passed by a three-fourths (3/4) majority of the members voting, of whom at least two (2) must be foreign members. Any such bonds or loans shall rank after the Reparation Bonds.

(2) No such bonds or loans beyond the total of 250 million marks gold shall be issued or made until preference shares to the nominal value of at least one (1) milliard marks gold shall have been issued.

§ 10.

Organisation of the Company.

The Board of Management (Verwaltungsrat) and the Directorate (Vorstand) shall have authority to represent the Company and to act in its name, subject to the provisions of the Law and of this Concession.

§ 11.

Board of Management.

(1) The Board of Management shall consist of eighteen (18) members.

(2) Half the members of the Board (9) shall be appointed by the Government of the Reich and half (9) by the Trustee as representing the Reparation Bondholders. Of the members to be appointed by the Trustee five (5) may be of German nationality. So soon as all the Reparation Bonds have been redeemed, the members till then appointed by the Trustee shall be appointed by the Government.

(3) Four (4) of the seats on the Board filled by appointees of the Government shall at a later stage be assigned to the holders of preference shares in such manner that for each five hundred (500) million preference shares issued, one representative of such shares shall be entitled to a seat on the Board. Representatives of the holders of preference shares must be of German nationality.

(4) As soon as the appointment of a representative of the preference shares is reported to the Government it shall cancel the appointment of one of the members which it has appointed. Conversely, when and as preference shares are redeemed, the seats on the Board assigned to their representatives shall be vacated, and the appointment of their successors shall revert to the Government.

(5) The Board shall determine the manner in which the representatives of the preference shares are to be chosen.

§ 12.

Qualifications of the members of the Board.

(1) The members of the Board must be business men of experience or railway experts. They shall not be members of the Reichstag or of the Parliament of any of the German States, or of the Government of the Reich or of the Governments of any of the German States.

(2) They shall observe absolute discretion regarding the Company's affairs.

§ 13.

Replacement of members of the Board.

(1) At the end of each period of two financial years three members of each of the two groups, consisting in the one case of the members appointed by the Government and the representatives of preference shares, and in the other case of the representatives of the Trustee, shall retire from the Board. At the outset, the members to retire at the end of two years and at the end of four years shall be chosen by lot; subsequently each member shall remain in office for six years. A retiring member shall be eligible for re-election.

(2) Members of the Board may at any time notify their intention to resign in writing. A member losing the right to hold public office or who is declared bankrupt shall cease ipso facto to be a member of the Board.

(3) If any member ceases to hold office otherwise than by rotation, his successor shall be appointed within three months and shall continue in office for the remainder of the term of the member whom he replaces.

§ 14.

President of the Board of Management.

(1) The President of the Board of Management must be of German nationality. He shall be elected each year at the beginning of the financial year by a three-fourths (3/4) majority of the members of the Board voting. He shall be eligible for re-election.

When the holders of preference shares are represented by three members on the Board, the President shall be chosen from amongst their number.

(2) The Board shall each year elect one or two Vice-Presidents by a simple majority of the members voting ; they shall be eligible for re-election.

§ 15.

Functions of the Board of Management.

(1) The Board of Management shall control the management of the Company and shall decide on all questions of importance, or of principle, or of general application, and more especially on such questions and matters as are set out below :

The appointment of the Director General and of the superior officers on the recommendation of the Director General;
The budget proposals;
The balance sheet and the profit and loss account;
The distribution of profits;
The application of the liquid resources of the Company;
The authority to pledge the credit of the Company to obtain credit or loans;
The general regulation of salaries and wages;
The approval of any expenditure on capital account beyond such limit as may be fixed by the Board.

(2) Any proposal or matter which requires the approval of the Government shall be reported to the Board.

(3) The Board represents the Company in relation to the Members of the Directorate (Vorstand).

§ 16.

Meetings of the Board of Management.

(1) The Board shall hold ordinary meetings at least every two (2) months. It shall hold an extraordinary meeting whenever at least six (6) members or the President shall so require in writing.

(2) Should a member not be able to attend a meeting of the Board, he may empower one of his colleagues by registered letter or by telegram to vote for him and on his behalf.

(3) Eight (8) members shall constitute a quorum.

(4) Decisions shall be taken by a simple majority of members voting except in the cases provided for in the Law and the Company's Concession. The President shall have a casting vote.

§ 17.

Permanent Committee.

(1) The Board of Management may delegate its powers, so far as it thinks fit, to a Permanent Committee consisting of six (6) members, three (3) from each group (see Clause 13), one (1) of whom at least shall be a member of foreign nationality and one (1) shall be chosen from the representatives of the preference shareholders, if they so require.

(2) The Board may also appoint other Committees from amongst its members.

(3) It shall fix its own rules for the conduct of business, as also rules for the conduct of business by the Permanent Committee and other Committees.

§ 18.

Remuneration of members of the Board.

Members of the Board shall be entitled to travel free on the lines of the Company; they shall be entitled to have their travelling expenses reimbursed and to such reasonable remuneration as may be determined by the Board.

§ 19.

Directorate (Vorstand) of the Company.

(1) The Directorate (Vorstand) shall manage the Company's affairs subject to the control of the Board.

(2) The Directorate shall consist of the Director General and one or more Directors, who must be of German nationality. They may not be members of the Board.

(3) The Director General shall be appointed by the Board for a period of three (3) years by a three-fourths (3/4) majority of the members voting; he shall be eligible for re-election by the same majority. The Directors shall be appointed by the Board on the recommendation of the Director General.

(4) The appointment of the Director General and of the Directors shall be confirmed by the President of the Reich.

(5) The Board may at any time remove the Director General by a three-fourths (3/4) majority of the members voting. The removal of the Director General shall not affect the rights to salary and allowances which he may possess under his contract of appointment.

§ 20.

Functions of the Directorate.

(1) The Director General is responsible for the management of the Company's affairs.

(2) The functions of the Director General and the Directors shall be determined by the Company's Staff Regulations as approved by the Board.

(3) In the discharge of their functions, the Director General and the Directors shall exercise such care as is required from a good man of business; they shall be responsible to the Company for any breach of their duties.

(4) The Director General shall furnish the Board month by month with full information as to the financial situation of the Company and the condition of the undertaking.

(5) The Director General and the Directors may not be engaged in any other profession or occupation except with the approval of the Board.

§ 21.

Railway Commissioner.

(1) There shall be appointed a Railway Commissioner to protect the rights of the Reparation Bonds. He shall be a person accepted in the railway world as being in the front rank. He shall be

elected for a period of three (3) years by a simple majority, by the foreign members of the Board, and shall be eligible for re-election.

(2) The Commissioner's functions, as also those of the Trustee as far as the Company is concerned, shall terminate as soon as the whole of the Reparation Bonds have been paid off or redeemed.

§ 22.

Functions of the Commissioner.

(1) The Commissioner may take part in the meetings of the Board, of the Permanent Committee and of other Committees of the Board without however having the right to vote.

(2) He shall have a general right of inspection over the whole railway system and all the Company's works and offices.

(3) There shall be communicated to him all reports, statistical and financial returns, proposals for extra-routine expenditure—whether on capital or revenue account—for changes in tariffs or for the concession of exceptional rates, and other matters which require the approval of the Director General.

(4) The Commissioner shall further be entitled at any moment to call for any other reports, returns or statistics which he may consider necessary in order to enable him to form an independent opinion.

(5) All this information shall be furnished to him promptly, fully and accurately.

(6) If any measure in connection with construction, operation or tariffs tends substantially to menace the rights or interest of the holders of the Reparation Bonds or of the Reparation Commission and in particular to endanger the payment of such bonds at their due dates (Clause 8, sub-clauses 2 and 3), the Commissioner shall discuss the question with the Director General. If he is unable to persuade the latter to change his course of conduct he must lay the question before the Board of Management which will take thereupon such action as it may think fit. Its action in such case shall be final.

(7) The Commissioner may call upon the Board to remove the Director General for violation of the Concession (Satzung) or for failure to comply with the instructions of the Board. In any such case a simple majority of the members voting shall be sufficient to carry a resolution for removal.

(8) The Commissioner and his staff shall observe absolute discretion regarding the Company's affairs.

§ 23.

Staff and Expenses of the Commissioner's Office.

(1) The Commissioner shall be assisted in his duties by such staff as he considers necessary. He may exercise the rights conferred upon him either in person or by his authorised agents. The Company shall supply suitable premises and furniture for the offices

of the Commissioner and his staff. The Commissioner shall be entitled to free transit over the Company's railways for himself and also for his staff to the extent to which he may consider proper.

(2) The Company shall in each year pay to the Commissioner as its total contribution to the expenses of the Commissioner and his staff, a lump-sum to be fixed by agreement between the Organisation Committee and the Commissioner subject to the approval of the Reparation Commission.

§ 24.

Exceptional powers of the Commissioner.

(1) In case of failure by the Company to make the half-yearly payments prescribed in Clause 8, sub-clause (2), the Commissioner shall be entitled to issue orders, whether to stop the expenditure which he considers unjustifiable or to increase the tariffs to the level which he considers reasonable. He may also require that the Director General be removed, and the Board shall thereupon comply with his requirement.

(2) So soon as the deficit has been made good and the payment of the next coupon ensured, these exceptional powers of the Commissioner shall come to an end.

(3) If it is impossible to make good the deficit within a period of six (6) months after the default in payment, whether by means of the payments by the Company or by the other methods prescribed in Clause 8, the Commissioner may in agreement with the Trustee take such other action as they may consider necessary. He may take into his own hands the operation of the railways, and may sell such rolling stock and other property, whether movable or immovable, as is not necessary for the operation of the railways.

(4) In the last resort the Commissioner may lease the railway concession in whole or in part, but this latter power shall only be exercised after a decision has been given by the Arbitrator provided for in Section 45 of the Law, that the action contemplated is necessary and of a nature to ensure the service of the Reparation Bonds.

(5) In so far as the Commissioner assumes responsibility for the operation of the railways he shall be subject to the provisions of the laws.

§ 25.

Financial management of the Company.

(1) At the close of each financial year the Company shall draw up a Balance Sheet and Profit and Loss Account.

(2) The net operating income after covering the operating expenses shall be applied as follows:

1. In the first place, to the service of the interest and sinking fund of the Reparation Bonds.
2. In the second place, to the service of the interest and sinking fund of other bonds or loans which may be issued in accordance with Clause 9.
3. Thirdly, there shall be established immediately a reserve fund to meet any falling off which may occur in the Company's operating income and to ensure the regular payment of the interest and sinking fund on its bonds. At least two

per cent (2%) of the gross receipts from the operation of the railways shall be paid into this reserve fund until it amounts to the maximum total of five hundred million (500,000,000) marks gold. Should it be necessary to have recourse to the reserve after this maximum total has been reached, the annual payments shall be resumed till the reserve is fully re-established.

4. In the fourth place, the net profits remaining after the foregoing payments out of the operating income have been made shall be employed as in the following order:
   (*a*) In the first place, arrears of dividend on the preference shares, if any, shall be paid in full;
   (*b*) In the second place, the current dividend on the preference shares shall be paid;
   (*c*) The Board shall decide on the employment of the remainder of the net profits in accordance with the following principles:

   Special reserves for extraordinary expenditure may be established. A special preference share redemption reserve shall be established as from the year 1935 and may be established at an earlier date. No reserve shall be established for the redemption of the ordinary shares.

   If the Company decides to distribute any remaining profits they shall be applied: as to one-third ($^1/_3$) as a supplementary dividend for the preference shares, and as to two-thirds ($^2/_3$) as a dividend on the ordinary shares.

   Provided, however, that if preference shares are not outstanding to the full amount of two milliard (2,000,000,000) marks gold, such portion of the remaining profit as would have belonged to those preference shares which are not outstanding shall belong to the ordinary shares.

4. Law relating to the Personnel of the Deutsche Reichsbahn-Gesellschaft (Reichsbahn-Personalgesetz), August 30, 1924.

(Translation from the Reichsgesetzblatt II, of August 30, 1924, p. 287.)

The Reichstag has passed the following Law which is herewith published with the approval of the Reichsrat:

§ 1.

(1) In the exercise of its functions the Deutsche Reichsbahn-Gesellschaft will employ permanent staff (Reichsbahnbeamte), employees (Angestellte) and workmen.

(2) No person of nationality other than German shall be appointed to the permanent staff, provided always that this provision shall not affect any exceptions to this rule already established by Treaty.

§ 2.

In so far as Reichsbahnbeamte are not engaged with an express reservation of the right to dismiss them or to terminate their engagements, they shall be considered engaged for life.

§ 3.

(1) Every Reichsbahnbeamter shall perform his duties conscientiously, with due respect for the law and the constitution of the Reich. By his conduct both on and off duty, he shall show himself worthy of the respect which his profession demands.

(2) Beamte shall observe silence even after the termination of their service with the Company, concerning any affairs of the Company which by their nature require to be kept secret or regarding which instructions to observe silence have been issued. Before making a report as an expert elsewhere than in a court of law, a Beamte shall obtain the consent of his superiors. Beamte shall also refuse to give evidence even after the termination of their service with the Company, on matters regarding which they are under obligation to observe silence, except in so far as they have been expressly set free from this obligation in the case in question.

(3) Beamte shall not engage in another profession or occupation, or enter the Directorate (Vorstand), the Board of Management (Verwaltungsrat) or the Supervisory Board (Aufsichtsrat) of an undertaking working for profit, or accept gifts or remuneration in return for such services, without express authorisation.

§ 4.

Temporarily retired Beamte shall forfeit their right to half-pay if they refuse to accept any office with the Reich or any employment with the Company which may be offered to them, provided that such office or employment corresponds to their qualifications, and the classification and pay of such office or employment correspond to those of the position hitherto occupied by them in the Company's service.

§ 5.

(1) The disciplinary tribunals of the Reich shall be competent to try Reichsbahnbeamte.

(2) Disciplinary tribunals for the trial of Reichsbahnbeamte shall be constituted as though Reichsbahnbeamte were Beamte of the Reich.

(3) The Staff Regulations shall specify the departmental heads who shall be capable of taking disciplinary action.

§ 6.

Reichsbahnbeamte shall have the same rights and duties in respect of the representation of their interests as against the Company as the law accords to Beamte of the Reich as against Departments of the Reich.

§ 7.

The Staff Regulations may contain provisions for the settlement and recovery of short payments similar to Section 134 and the following sections of the Reichsbeamtengesetz. In this case the

Company's authorities designated in the Staff Regulations shall exercise the functions conferred by the Reichsbeamtengesetz upon authorities of the Reich.

§ 8.

The provisions of Section 149 and of the following sections of the Reichsbeamtengesetz shall apply by analogy to the prosecution of monetary claims against Reichsbahnbeamte arising out of their position as Beamte. The Director General ranks as the Oberste Reichsbehörde (Supreme Authority of the Reich).

§ 9.

The provisions of the law concerning insurance against accident (Unfallfürsorgegesetz) of June 18, 1901 (Reichsgesetzblatt, p. 211), shall apply by analogy to such Beamte as are engaged in employment which renders insurance against accident necessary and to their survivors.

§ 10.

(1) The Deutsche Reichsbahn-Gesellschaft assumes the obligations of the Administration of the Railways of the Reich in respect of insurance against sickness, accident, old age and unemployment and of special insurance.

(2) The statutory regulations regarding Reich insurance (Reichsversicherungsordnung) and the law regarding the insurance of employees (Angestelltenversicherungsgesetz) shall be modified as follows:

I. In Sections 169, 172, 1234 and 1235 of the statutory regulations and Section 11 of the law, the words "of the Deutsche Reichsbahn-Gesellschaft" shall be inserted after the words "of the Reich."

II. In Section 12, sub-section 1, No. 1, of the law, the words "of the Deutsche Reichsbahn-Gesellschaft" shall be inserted after the words "Beamte of the Reich," and for the words "in the service of the Reich or of a State" there shall be substituted the words "in the service of the Reich, of the Deutsche Reichsbahn-Gesellschaft or of a State." In Section 12, sub-section 1, No. 2 of the law, for the words "employees in the railway, postal and telegraphic services of the Reich or of the States" there shall be substituted the words "employees in the postal and telegraphic services of the Reich and employees of the Deutsche Reichsbahn-Gesellschaft."

III. In Section 1237 of the statutory regulations and Section 14 of the law, the words "of the Deutsche Reichsbahn-Gesellschaft" shall be inserted after the words "of the Reich."

IV. After Section 625 of the statutory regulations, the following provision shall be inserted as Section 626.

"The Deutsche Reichsbahn-Gesellschaft bears the responsibility for the insurance if the service is carried out or the employment is exercised on its account."

V. Section 892, sub-section 2, of the statutory regulations shall be altered to read as follows:—

"The same provisions shall apply to the Deutsche Reichsbahn-Gesellschaft, communes, associations of

communes and other public bodies which bear responsibility for insurance. The executive authorities shall be designated by the highest administrative authority (Oberste Verwaltungsbehörde). The Staff Regulations of the Deutsche Reichsbahn-Gesellschaft shall specify those of its official organs which shall be considered as executive authorities."

§ 11.

The special institutions of the former administration of the Railways of the Reich established under Section 1360 of the statutory regulations, shall be accepted as special institutions of the Deutsche Reichsbahn-Gesellschaft. The rights and obligations of the former special institutions shall pass to the new institutions.

§ 12.

(1) For the purpose of calculating the pay and allowances guaranteed in Section 20 of the law concerning the Deutsche Reichsbahn-Gesellschaft, the period of service with the Company shall be added to the effective period of service under the Reich.

(2) Employees and workmen at present entitled to be taken back into the service of the Deutsche Reichsbahn undertaking shall retain the same right as against the Company.

§ 13.

Such conditions regulating the legal position of the service of the Company's Staff as are not determined by this law shall be solely determined by the Staff Regulations of the Company as prescribed by Section 19, sub-section (1), of the law concerning the Deutsche Reichsbahn-Gesellschaft.

Berlin, the 30th day of August 1924.

The Reichspräsident,
EBERT.
The Reichsverkehrsminister,
OESER.
The Reichsminister der Finanzen,
Dr. LUTHER.
The Reichsarbeitsminister,
Dr. BRAUNS.

5. Letter from the Deutsche Kriegslastenkommission.

Deutsche Kriegslastenkommission.

Paris, September 1, 1924.

To: The Reparation Commission, Paris.

In the Report submitted by the Committee on the organisation of the German Railway Company to the Reparation Commission under date of July 24, 1924 (Section N: Consent of the German States), the German Members of the Committee stated that the Government of the Reich would take the necessary steps to obtain the consent of the German States and would give the Reparation Commission every assurance in this regard.

I am directed by the German Government to notify the Reparation Commission that the German States have passed the Law on the Deutsche Reichsbahn-Gesellschaft (Reichsbahngesetz), and that they may be considered to have given their consent to the pledging of this concern in the form provided for by the Reichsbahngesetz.

(Signed) RUPPEL.

6. Reparation Bond of the Deutsche Reichsbahn-Gesellschaft for 11,000,000,000 gold marks.

(Translation from the German.)

The Deutsche Reichsbahn-Gesellschaft, incorporated in virtue of the Law of the Reich of August 30, 1924, is liable to the holder of this Mortgage Bond for the amount of 11,000,000,000 (eleven milliard) gold marks.

This Bond will bear interest and be subject to redemption in accordance with the following provisions:

The rate of interest is 5 % per annum. The annual payments for the service of the Bonds during the first three years will, however, be limited as follows:

(*a*) for the first year, to 200,000,000 (two hundred million) gold marks;

(*b*) for the second year, to 595,000,000 (five hundred and ninety five million) gold marks;

(*c*) for the third year, to 550,000,000 (five hundred and fifty million) gold marks.

Interest is to be paid twice a year and in equal instalments on March 1 and September 1 of each year against acknowledgment of receipt. The first payment is due on March 1, 1925. The interest due on March 1, 1925, will, however, be calculated on the actual length of time the Company has been operating the railways. The Company further undertakes to apply yearly, as from September 1, 1927, a sum equal to 1 % of 11,000,000,000 (eleven milliard) gold marks, plus the interest saved by amortisation, to the amortisation of the Bonds. The sinking fund quotas are to be paid half-yearly on March 1 and September 1. The first payment is due on March 1, 1928.

All payments for the service of the Bonds shall be made to the "New Bank" to the credit of the "Agent for Reparation Payments" for the account of the Trustee nominated by the Reparation Commission. The Reich guarantees the payments fixed as above. Claims arising out of this Bond against the Deutsche Reichsbahn-Gesellschaft or the Reich can only be submitted through the Trustee. The Deutsche Reichsbahn-Gesellschaft and the Reich are discharged from all liability in respect of interest and amortisation in connection with this Bond, so soon, and in so far as, payments are made to meet these liabilities to the account of the "Agent for Reparation Payments" at the "New Bank" for the account of the Trustee. For the rest, the provisions of the Reichsbahn Law of August 30, 1924, and the statutes of the Company attached thereto, are applicable.

The present Bond shall, upon the request of the Trustee, be exchanged free of charge for other Bonds, the form, wording and amount of which are prescribed by him within the provisions of the Law on the Deutsche Reichsbahn-Gesellschaft and the statutes of the same.

Berlin, October 1, 1924.

Administration of the Public Debt of the Reich
(stamp)
(Signed) HALLE. VIEREGGE.
MUECKE. MOLL.

Deutsche Reichsbahn-Gesellschaft
(stamp)

The President of the Board of Management
(Signed) C. F. von SIEMENS.

The General Manager
(Signed) OESER.

7. Letter from the Organisation Committee of the German Railway Company, October 2, 1924.

Berlin, October 2, 1924.

To:
The Reparation Commission.

We have the honour to inform the Reparation Commission that the new Company of German Railways is now formed.

The German Government and the Trustee having appointed the Directors whom they have to nominate in accordance with the law, the Board of Directors held its first meeting at Berlin on September 27, 1924. The Board elected Herr von Siemens Chairman of the Board and Herr Oeser General Manager of the Company.

The foreign directors appointed by the Trustee elected Monsieur Leverve Commissioner of Railways.

All necessary arrangements have been made for the transfer of the concession of the railways of the Deutsche Reichsbahn concern to the Company, and the Organisation Committee has been informed to this effect by a report submitted by the Minister for Transportation and the General Manager of the Company. We enclose this report herewith, together with the appended statements setting forth the financial position of the Company; assets in bank and cash in hand—material, debits and credits of the Company.

It will be seen that the position of the Company seems on the whole to be more favourable than that recorded on July 8, 1924, to which attention was called in our report to the Reparation Commission under date of July 24, 1924, and its appendices.

We desire to add that the Committee is now considering measures for the transfer of the lines at present operated by the Régie to the new Company, in accordance with the mandate conferred upon it by the London Conference.

(Signed) VOGT.
BERGMANN.

(Signed) W. M. ACWORTH.
G. LEVERVE.

(1) Letter from the German Minister of Transportation and the General Director of the German Railway Company, October 2, 1924.

Berlin, October 2, 1924.

To:
The Organisation Committee of the German Reichsbahn Company,
Berlin.

We have the honour to enclose herewith an estimated statement of the assets and liabilities of the concern "Deutsche Reichsbahn" which will be transferred to the German Reichsbahn Company. This statement gives the estimated value of plant and equipment of every kind, cash in hand and assets at the bank. The value of the plant and equipment here given is higher than the estimate made in the table sent by the Reich Minister of Transport to the Organisation Committee on July 8, 1924. The value of the cash in hand has been estimated by the same procedure as that followed for the estimate of July 8, 1924. This table also contains outstanding claims and liabilities.

At the same time we beg to inform you that all preliminary measures for the transfer of working rights have been duly taken.

Reich Minister of Transport
p. p.
(Signed) Dr. KROHNE.

German Reichsbahn Company
General Director
OESER.

Estimated statement of the Assets and Liabilities of the Concern "Deutsche Reichsbahn" which will be transferred to the German Reichsbahn Company.

(A)—*Assets.*

	Gold Marks
(1) Plant and equipment as per separate list	630,885,407
(2) Cash in hand and assets at the Bank	150,000,000
(3) Outstanding claims	40,000,000
	820,885,407

(B)—*Liabilities.*

(1) Debts to the Reich:	
(*a*) Credit in Rentenmarks	20,000,000
(*b*) Loan to cover arrears of transport tax	40,000,000
(*c*) Credit for redemption of provisional currency	25,000,000
(2) Bills of exchange	12,000,000
(3) Miscellaneous liabilities	20,000,000
	117,000,000

Reich Minister of Transport
p. p.
(Signed) Dr. KROHNE.

German Reichsbahn Company
General Director
OESER.

Plant and Equipment.

	Stock	Value in gold marks
(A)—*Running Materials.*		
Coal	2,141,885 t.	49,485,520
Oil	17,706,028 kg.	4,857,606
Miscellaneous	—	15,188,831
		69,531,957
(B)—*Materials for construction and for the permanent way.*		
Rails	217,310 t.	29,092,803
Small iron fittings	168,561 t.	38,030,574
Points	123,274 t.	39,887,732
Wooden sleepers	9,493,911 sleepers	62,348,536
Iron sleepers	110,332 t.	14,690,891
Miscellaneous	—	24,897,516
		208,948,052
(C)—*Workshop Materials.*		
Copper	28,666,285 kg.	51,739,133
Brass and bronze	5,801,113 „	7,057,779
Iron	105,209,275 „	21,139,382
Steel	10,257,372 „	6,607,554
Tin and lead	2,853,718 „	2,507,812
Casting metal	4,565,206 „	8,093,743
Tyres	103,270 tyres	7,799,678
Cast steel brake-blocks	1,338,369 blocks	5,528,812
Boiling tubes	3,660,475 m.	7,112,475
Timber	255,635 cbm.	20,326,949
Miscellaneous	—	214,492,081
		352,405,398
	Total	630,885,407

8. Letter from the Organisation Committee of the German Railway Company, October 11, 1924.

Berlin, October 11, 1924.

To:

The Reich Chancellor, Berlin.

In accordance with § 47, Sub-paragraph (8), of the Law of August 30, 1924, on the German Railway Company, we have the honour to inform the Government of the Reich that all the preparations for the transfer of the Concession to the German Railway Company have been made and that the Company is consequently ready to take over the Concession. We have the honour to enclose a copy of the report, together with annexes, which the German Minister of Transport and the Director General of the new Company have made jointly in writing to the Organisation Committee to this effect.

(Signed) W. M. ACWORTH. G. LEVERVE.
C. BERGMANN. VOGT.

PART V. THE INDUSTRIAL CHARGE.

1. Report of the Organisation Committee for Industrial Debentures.

(1) Covering letter.

Provisional Organisation Committee
for Industrial Debentures.

Paris, July 14, 1924.

To Monsieur Louis Barthou, Chairman of the Reparation Commission, Paris.

Sir,

On behalf of the Provisional Organisation Committee for Industrial Debentures, I have the honour to submit herewith the report, the Bill and the Bank Statutes which are the result of its deliberations.

The Committee adopted the Bill on the second reading and unanimously approved the text. It is of opinion that this text contains all the provisions which are to be covered by the law.

In view of the urgent necessity of reaching a solution the Committee has been obliged to forego a third reading, which would perhaps have been desirable to put the final touches to the draft. The Committee has requested the Jurists of the Reparation Commission and those of the German Government who have already shared in the labours of the Committee to proceed to a final reading in which the form only will be considered.

I have the honour to be, etc.

Signed: MARC WALLENBERG.

The enclosed documents, namely:
(1) The Report of the Organisation Committee;
(2) The German translation of this Report;
(3) The Bill;
(4) The French translation of this Bill;
(5) The Bank Statutes, and
(6) The French translation of these Statutes;
have been signed by Messrs. Allix and Trendelenburg, on their own behalf and on behalf of their colleagues Messrs. Bianchini, Bücher and Wallenberg, who have conferred on them full powers to prepare the final draft of the texts approved by the Committee at its final meeting of July 14, 1924.

Paris, July 15, 1924.

Signed: EDGARD ALLIX.
TRENDELENBURG.

(2) Report of the Committee.

The provisional Organisation Committee provided for in Annex 5 to the report of the First Committee of Experts sat at the Hotel Astoria, Paris, from June 2 to July 14, 1924. At the latter date, considering that its mandate had been fulfilled, the Committee dissolved. The Committee was originally composed of the following Members: MM. Descamps and Bianchini, appointed by the Reparation Commission, Herr Ernst Trendelenburg, representing the German Government, and Herr Hermann Bücher, representing German industry. M. Marcus Wallenberg, appointed fifth and neutral Member by the Committee, took part in the proceedings as from June 18, 1924, and was elected Chairman by his colleagues. On July 2, M. Allix replaced M. Descamps.

Mandate of the Organisation Committee.

The duties of the Organisation Committee are defined in Annex 5 to the report by the First Committee of Experts. The powers of the Committee are derived principally from paragraphs VI *A* and *B* of this Annex, worded as follows:

" VI.—*A*. The Organisation Committee shall have all powers to work out the details of the plan in such form as may be fair alike to the German Government, to the industrial concerns and to the Reparation Commission, bearing in mind that it is the purpose and intent of the plan to ensure for reparations account the payment of the 5 milliards of gold marks with interest thereon at 5 % per annum and a sinking fund of not less than 1 % per annum thereon, which in and of itself will determine the maturity of the bonds.

" *B*. The Organisation Committee shall have the power to determine the form and character of the mortgages, and, in case the concerns are too small to make individual mortgage issues practical and desirable, the Committee shall have power to devise some method of handling them, or may waive them altogether, provided the total sum of 5 milliards is maintained. "

In dealing with the question of industrial debentures, the Committee endeavoured to arrive at a practical and equitable solution, compatible with the letter and spirit of the Experts' Report and which, taking into account the vital needs of German industry, provided the industrial debentures with the fullest guarantees and made it possible for the creditor countries to mobilise the debt assumed by German industry.

Definition of the Guarantee.

Paragraph I of Annex 5 to the report of the First Committee of Experts states that " these bonds shall be individual obligations of the 'several concerns' and shall be secured as to principal, interest, and sinking fund payments by a first mortgage on the plant and property of the respective concerns making them. "

From this general formula, the Organisation Committee deduced the principle that it was the aggregate assets of the concerns which were to be assigned as security, that these assets were to provide

real security not only in the form of a mortgage proper on such property as could be mortgaged under German legislation but also in the form of a lien in the event of bankruptcy in the case of property that could not be mortgaged.

Under the terms of the Bill drawn up by the Committee, the premises of the concerns encumbered are placed under a mortgage recognised by public law (öffentliche Last). In principle, this lien acts as a mortgage. Completed by the lien in the event of bankruptcy, it thus covers the total assets. The wages of personnel and household staff alone take priority over this lien, while the rights conferred by the German-Swiss Agreement of March 25, 1923, alone take priority over the mortgage. The priority of the Swiss gold mortgages was agreed to by the Committee only at the request of the German representatives and after they had assured the Committee that the total value of mortgages on industrial buildings represented only about ten million gold marks. The Committee thought that it would be inadvisable to annul international agreements which the parties were justified in regarding as definitive.

The " öffentliche Last " will be exempt from registration in the Land Book. The Trustee, the Bank or the debtor will nevertheless be entitled to demand this registration. An entry will automatically be made in the Land Book free of charge; cancellation of this entry shall also be gratuitous. The German Government intends that the registration and cancellation of the mortgage proper should also be gratuitous. The legal provisions regarding the mortgage guarantees are set forth in Articles 41 to 46.

The mortgage is automatically transferable except in the case of the sale of lots of small value which represent only an insignificant portion of the security. In the latter case, the new owner shall be protected from any claim on the part of the mortgagee.

The security represented by the concerns shall be supplemented by that of the German Government, as provided for under paragraph III of Annex 5 to the Experts' Report: " The German Government shall guarantee the principal, interest and sinking fund payments on such bonds .... ".

By this procedure the Committee in no way wishes to impose on the German Government a burden over and above those provided for in other parts of the Experts' Plan. In this connection, it sees no reason why the German Government should not take certain internal measures with a view to consolidating the other guarantees provided for in the plan in such a way as to obviate in so far as possible the necessity of its own intervention in regard to security.

In order that the fullest possible account may be taken of the position of the mortgagees previously registered and whose status might be unfavourably affected when their mortgage was superseded by that of the Trustee, and, further, in order not to prevent those concerns from obtaining credit whose real property might be encumbered by a mortgage laid upon it by the Trustee for its total value, the Committee agreed that the concerns whose real property represented but a small portion of their entire working capital (Betriebsvermögen) should have the right to ask the Trustee that

the debt be apportioned between the real property and the other assets pro rata with their respective value, in other words, that the mortgage be reduced to the ratio existing between the value of the real property and the other assets. This right may also be exercised by the mortgagees. Such is the object of Article 41, paragraph 2.

Definition of the Concerns among which the Charge is to be apportioned.

Paragraph I of Annex 5 to the Experts' Report states that the Organisation Committee shall indicate the concerns among which the charge of five milliards is to be divided.

As the security offered by a mortgage seemed, in the opinion of the Organisation Committee, to be one of the most reliable, it was thought advisable to exclude from the concerns to be encumbered commercial and banking concerns and insurance companies, many of which could furnish but inadequate mortgage security. Hotels have also been excluded.

Being anxious not to reduce, directly or indirectly, the assets of the Reich budget, which is moreover to bear the burden of reparations, the Committee also decided to exclude from the distribution industrial concerns owned by the Reich or by the States as well as other concerns the entire profits from which are handed over to the budgets of the Reich or of the States, it being further understood that private undertakings that might subsequently become State undertakings would continue to bear the charge assigned to them in the matter of debentures.

In regard to concerns belonging to the communes, the Committee decided to leave the German Government free to place these concerns under the debenture liability. This decision was prompted by the wish that no communal undertaking—primarily, services for public transport, and for the production and distribution of power—should be placed in a privileged position in relation to similar undertakings belonging to private industry.

On the other hand, it was decided that mixed companies, that is, companies in which the Reich, the States or the communes are interested in conjunction with private " entrepreneurs " should be subject to the charge in question.

Vis-à-vis the mortgagees, only the encumbered concerns are liable. The Committee nevertheless saw no reason why the Reich should not be permitted to encumber other categories with charges that might alleviate that laid on industry. This would constitute a measure of internal distribution, which would in no way affect the responsibility of the concerns mortgaged under the present law, vis-à-vis the Trustee or the debenture holders.

Such is the meaning of Article 24, paragraphs 2 and 4.

Elimination of Minor Concerns.

In order to avoid the distribution of the charge among a number of concerns several of which might be unable to offer proper security for their debentures, the Committee, in virtue of the powers conferred upon it by paragraph VI B of Annex 5 to the Experts'

Report, decided not to impose any burden on industrial concerns the working capital (Betriebsvermögen) of which was less than fifty thousand gold marks, subject to the fixation of another minimum figure, if the German Government, the Bank and the Trustee agreed to this alteration.

Method of Distribution.

Convinced of the necessity of proceeding to the first distribution on a sound basis, the Committee carefully examined the various possible methods. It found that the transfers of wealth following upon inflation have rendered the most recent statistics practically valueless and that, without resorting to lengthy and intricate calculations which would seriously delay the bringing into operation of the Experts' Report, it was at present impossible to determine with sufficient accuracy the gold value of each of the German industrial concerns.

The committee therefore decided to distribute the burden of five milliards among the industrial concerns pro rata with their working capital (Betriebsvermögen) as assessed for the tax on capital (Vermögenssteuer) for the year 1924, value as at December 31, 1923.

For technical reasons, this assessment does not permit of a sufficiently rapid calculation of the working capital (Betriebsvermögen) of navigation and railway transport companies subject to the mortgage, and in so far as these are concerned, the capital will be estimated.

In order that certain classes of industry may not be unduly exempt, it was agreed that the share of the principal groups of industry in the total charge, would not be less than the following percentages, subject to the 10% margin provided for in Article 8:

Mining and ore-working industry (Schwerindustrie)	20%,
Machine and electrical industry (Maschinen- und Elektrische Industrie, einschließlich der Elektrizitätserzeugung)	17%,
Chemical industry (Chemische Industrie)	8%,
Textile industry (Textilindustrie) of the total charge of five milliard gold marks	7%.

In order to take into account the fact, however, that, in future, this distribution might no longer correspond to the respective development of the several branches of industry, the Trustee may agree to a re-adjustment of these percentages if they were found to be incompatible with the results of a new distribution of the Vermögenssteuer. In the event of refusal on the part of the Trustee, the Arbitral Tribunal provided by the law, which will be examined below, might be requested by the Bank to give a final decision.

Revision of the first Distribution.

The Committee thought it advisable to proceed to periodical revisions of the distribution, on the basis of future assessments of the tax on capital (Vermögenssteuer).

Many advantages would be obtained, among which may be mentioned:

The correction, on grounds of equity, of any errors in the distribution.

An increase in the security of the industrial debentures and the prevention of the accumulation of capital, in order to evade the law, in undertakings created after the first distribution and consequently unduly exempt.

In this way, the charge while remaining, in accordance with the Experts' Plan, an individual liability for each concern, will be imposed on German industry as a whole; new undertakings will assume their share, the quota due from undertakings that have grown will be increased, while those concerns which have decreased in importance will have their quota reduced.

These revisions of the distribution appeared desirable to the Committee because they provided a kind of additional guarantee by replacing declining undertakings by solvent concerns.

Simultaneously with the new distributions, readjustments would be made in connection with concerns of which the Trustee and the Bank hereinafter mentioned hold a sufficient quantity of debentures, by the mere substitution of bonds; in other cases, it will be for the German Government to relieve by the delivery of "industrial bonds" or otherwise those undertakings that are over-burdened. These conditions are laid down in Article 19.

In principle, the readjustments will be carried out at the time of each revision of the assessment of the Vermögenssteuer; after a first period of five years, during which their number and date shall not be fixed, these revisions shall not be made more often than every two years.

The German Government may, however, without awaiting the next revision, impose on behalf of the Bank an additional charge on new concerns or on those whose capital has increased. This additional charge shall be levied in favour of the Bank up to the date of the next revision and paid in to a "reserve and guarantee fund" to which reference is made hereinafter.

"Bank für Deutsche Industrie-Obligationen."

The Committee unanimously recognised the necessity of an intermediate organisation, the particular duty of which would be to assign as security for the bonds it will itself issue (industrial bonds —Industriebonds) non-negotiable or unnegotiated individual debentures (Einzelobligationen).

The Committee was of opinion that the creation of this intermediate organisation was absolutely in keeping with the spirit of the Experts' Report, paragraph VI B of Annex 5 which provides for other conditions regarding industrial concerns of too little importance and which confers on the Trustee (Section XVI, page 34) the right to assign the mortgage debentures and bonds which he holds as security for any new bonds he may issue himself. Since the Trustee has no legal authority to issue bonds himself, the Committee thought that these new bonds should be issued by an intermediate organisation. It took the view that they would

find an infinitely greater international market than in the case of the individual debentures of German concerns of average importance and that the mobilisation of the claim on German industry would thereby be facilitated.

Furthermore, the intermediate organisation could be used by the Trustee for the purpose of assuring the service of the coupons on his behalf, and by the German Government for making the future revisions of the distribution and for establishing the equality of liabilities. Finally, it would, in a general way, facilitate relations between international creditors and German debtors through the intermediary of the Trustee.

The institution of this intermediate organisation, which must be created with the co-operation of German banks, has the further advantage of interesting the leading German financial circles in the regular execution of that part of the Experts' Report dealt with by the present Committee.

Negotiability of Individual Debentures.

The Committee was obliged to consider two absolutely distinct schemes:

A scheme comprising purely individual debentures and a scheme comprising purely representative debentures for which the individual obligations would have been only collateral. Under the terms of the Experts' Report, the second scheme had to be set aside, but in view of the necessity of securing the representative bonds and of securing them sufficiently to make them negotiable on the international market, the Committee decided to restrict the negotiability of the individual debentures.

It was decided that the Trustee may negotiate, to the extent of 50% of the bonds of each concern, individual debentures for a maximum total nominal value of five hundred million gold marks, to be selected by the Trustee from among the debentures of the most heavily burdened undertakings, representing together a total debenture liability of one and a half milliard gold marks, excluding maritime and river navigation companies and railway transport companies, the debentures of which will not be negotiable.

There will therefore be 750 million gold marks' (50% of 1500 millions) worth of negotiable individual bonds, only 500 millions' worth of which will be actually sold by the Trustee.

The Committee has thought it absolutely necessary to adopt this solution, which is moreover in accordance with the spirit of the Experts' Report. It is in fact convinced, on the one hand, that the great majority of the individual debentures which have an international market are included within the limit of 1.5 milliard gold marks which it has fixed, and on the other hand that it was essential to keep at least one-half of the individual debentures of the best known German concerns in the funds guaranteeing the representative securities. It has excluded from the negotiable individual debentures the securities of navigation companies and railway transport concerns in order to take into account the present situation of these undertakings and the difficulties and uncertainties of the first distribution, which must be based on estimates.

The system as a whole will then be as follows:

As the counterpart of the five milliards of individual debentures the Bank will issue five milliards of industrial bonds.

The individual debentures will be of two kinds: one kind will be negotiable debentures amounting to 750 millions. Whenever the Trustee sells individual debentures, he must inform the Bank to that effect, so that it may cancel an equivalent amount of industrial bonds. Whenever he realises the 500 millions of individual debentures which he is entitled to sell, he shall deliver to the Bank the surplus, which will again be used as cover for the industrial bonds. The other kind will be non-negotiable bonds, which will be used as collateral for the industrial bonds.

Therefore the Trustee will, at his discretion, be able to offer to the public, up to 500 million gold marks, either negotiable individual debentures or industrial bonds representing them, and for the remaining 4.5 milliards he can offer only industrial bonds. The Committee hopes to be able to submit to the Reparation Commission a draft text of the three sorts of securities entailed by the system[1]: negotiable individual debentures, non-negotiable individual debentures and industrial bonds. It will be for the German Government, the Bank and the Trustee to draw up the final text of the type to be adopted, possibly taking this text as a basis.

Issue and Delivery of Individual Debentures.

The concerns encumbered will therefore deliver to the Bank individual debentures expressed in gold marks and drawn to the Bank, for the total amount of the capital mortgage with which they are encumbered. In accordance with the principles of the Experts' Report, interest will be waived entirely during the first year, during the second year it will be $2^1/_2\%$, during the third year 5% and thereafter 5% plus 1% sinking fund.

In view of the impossibility of determining at once the respective liability of the several shipping and railway transport undertakings concerned, the shipping companies, as well as the other groups of concerns for railway transport, will for the present be asked to furnish only a collective debenture signed by general representatives of the undertakings of the group, appointed by the German Government and qualified to engage the responsibility of all the firms; at the earliest distribution these collective debentures will be replaced by individual debentures.

At the request of the Trustee, the undertakings whose debentures are negotiable according to the terms of Article 14, paragraph 2, must exchange the collective debenture which they have signed for bearer bonds of a definite amount. It is these bonds which may be offered for sale by the Trustee after the period of six months granted, under paragraph II of Annex No. 5 of the Experts' Report and Article 60 of the appended Bill, to the industrialists to make proposals of redemption.

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[1] For the preparation of this draft the Committee called in specialists, to whom it begs to express its thanks. Since the texts were not yet completely drafted, the Committee is unable to submit them before dissolving.

Articles 15 and 16 grant to industrialists who are obliged to deliver negotiable individual debentures and who have reason to complain of the distribution so far as it concerns them, a rapid and special means of procedure, so that the delivery of the debentures is not retarded, and so that the interests of the injured party are safeguarded without prejudice to the Trustee.

Means of compulsion are provided for the case of industrialists who refuse to subscribe debentures.

The debtor concern will be definitely released vis-à-vis the holders by payment into the Bank and into the hands of the Trustee.

Industrial Bonds.

As set forth above, the industrial bonds are issued up to the amount of 5 milliard gold marks, of which 4,250 millions will be delivered to the Trustee. The balance, amounting to 750 millions, will form the counterpart, in the coffers of the bank of the same sum in negotiable individual debentures delivered to the Trustee.

These bonds are payable to the bearer and are negotiable.

The Experts' Report recommended that "interest on the industrial debentures should be waived entirely during the first year, that the interest during the second year should be $2^1/_2$ %, during the third year 5 % and thereafter 5 % plus 1 % sinking fund." Since there is little chance of being able to dispose of $2^1/_2$ % bonds at the present time, this provision amounted to deferring all possibility of selling the bonds until the third year after their issue. In order to make it possible for the Trustee to negotiate bonds at an earlier date, the Committee considered it more advisable to divide them into two series of 2,500 millions each, the first of which will bear no interest for two years and the second of which will bear 5 % interest as from the second year.

The service of interest and amortisation of the bonds will be assured by the Bank, which shall pay the amount to the Agent for Reparation Payments into the account of the Trustee. In accordance with the principle enunciated in Chapter XII of the Experts' Report, this payment will release the Bank from all liability vis-à-vis the holders.

The bonds will be amortised by drawings, according to a detailed scheme which the Bank will draw up in collaboration with the Trustee. The bonds will not be redeemable before 1937; the Bank may, however, proceed to a more rapid amortisation by buying up its own bonds on the open market and cancelling them.

The Committee is of opinion that in order to attract subscribers, it might be well to secure on one block of these industrial bonds, or to substitute for them, debentures of a different type, expressed, for example, in foreign currencies, which would be easier to dispose of in certain markets. Article 33 therefore provides that the Trustee may come to an agreement with the Bank in regard to any procedure of this kind, the Bank being authorised to this effect by the German Government. The Trustee will of course be entirely free to act independently of the Bank, and to carry out the operation with, for instance, a foreign financial consortium to which he would deliver a block of industrial bonds as security.

Organisation of the Bank.

The Bank will have its headquarters in Berlin. Its capital shall amount to 10 million gold marks, to be furnished by German economy, with the participation of the German banks; 25 % shall be paid up.

As stated elsewhere, it shall issue industrial bonds secured by non-negotiable individual debentures and the unsold negotiable debentures. It shall receive the yearly instalments of the supplementary burdens which the German Government may impose on the concerns for the benefit of the Bank, and which will serve to increase the reserve and guarantee fund provided for in Article 24, paragraph 2, or for other purposes.

Following the procedure in the case of the railway debentures, and for practical considerations, the Committee was of opinion that the Bank should be a bank of German nationality.

It will be administered by one or more German managers. The Board of Directors will be composed of a Chairman and 14 Members. The Chairman shall be German, and shall be elected each year by the Board of Directors by a majority of 10 votes, and shall be eligible for re-election. Four members of the Board of Directors shall be appointed by the non-German members of the General Board of the Reichsbank, three by the Reparation Commission, and seven by the German Government, three to represent this Government and four to represent the encumbered concerns and the share-holders. The members of the Board of Directors shall be appointed for three years and shall be eligible for re-election.

When all the industrial bonds are amortised the Bank shall be liquidated. Any assets which may remain after the payment of debts and the redemption of the stock capital shall become the property of the Reich.

In view of the fact that the Bank is a German institution, which will be of service to the German Government, in particular when revising the distribution and when determining the interior apportionment of the burden, and especially in consideration of the fact that any balance of assets remaining at the time of liquidation will fall to the Reich, the Committee has considered it fair that Germany should share the expenses connected with the creation and functioning of the Bank.

It has been decided that two-thirds of the administration costs should be paid by the Bank and that one-third should be charged against the inclusive annuities to be paid by Germany, it being understood that the expenses of the Trustee, and the cost of future issues and of the division or of the replacement of the bonds (except the replacement provided in Article 14, paragraph 2, for the negotiable individual debentures) shall be borne exclusively by the Trustee. It is understood that the cost of printing and delivering the individual debentures and the industrial bonds will be borne exclusively by the Bank.

Redemption.

The encumbered concerns shall have the right to release themselves by delivering the nominal value of their liability either in foreign bills, in German currency at gold parity, or in industrial

bonds at their nominal value. A special difficulty arises in the case of the first two hypotheses; since the industrial bonds must always be covered by an equivalent amount of individual debentures, the latter cannot of course be redeemed in currency unless a sufficient quantity of industrial bonds remains in the Bank to make it possible to cancel the quantity corresponding to the individual debentures redeemed. If so many bonds have been sold that this quantity has become insufficient, it will be impossible to make redemption in currency, since the corresponding quantity of industrial bonds cannot be cancelled.

The Committee realises perfectly the advantage of redemption both to the creditors, who will find it easier to mobilise their claim on the German concerns, and to the German concerns themselves, who will be able to release themselves from their obligation. On the other hand, however, the Committee has considered that it was not advisable, by definitely releasing from all future obligation those concerns which redeem all their debentures, to transform them into refuges for capital which wished to evade the provisions of this law.

The Committee has therefore adopted the following solution, which, while it prevents such evasion, offers substantial advantages to those concerns which redeem their debentures.

When a concern has redeemed all its debentures it shall be released from all future charges on the working capital (Betriebsvermögen) represented by the redeemed debentures. Until the next distribution, and at least during two years, it shall be exempt from all charges. If in the future the capital increases by more than 15 % of the redeemed capital, the amount in excess of 15 % only shall be encumbered. In this way not only will the industrialist be assured of complete immunity for two or three years, but also, by redeeming 100 % of his original capital, he will be definitely released from 115 % if his wealth increases. This offers a very appreciable premium on redemption.

Negotiable individual debentures.

In accordance with the principles laid down in the Experts' Report (paragraph II of Annex No. 5), and in order to give to debtors an opportunity to make proposals to the Trustee for immediate or gradual redemption, the Trustee shall not offer the negotiable individual debentures for sale until six months after their delivery.

After the expiration of this period he must, before negotiating the individual debentures, announce his intention to the concern which issued them and give it one month in which to redeem them. In no case can he require concerns which redeem their debentures under these conditions to pay a price higher than the nominal value of the bonds.

Non-negotiable individual debentures.

The concerns may at any time make proposals to the Trustee for immediate or gradual redemption.

Cancellation of the equivalent of the bonds redeemed.

Whenever negotiable individual debentures have been redeemed the Trustee must inform the Bank as in the case of a sale, in order that it may cancel a corresponding amount of the industrial bonds which it holds. Whenever non-negotiable individual debentures have been redeemed, the Trustee must deliver to the Bank for cancellation an equivalent amount of the industrial bonds which are in his possession.

The Trustee.

Chapter XVI of the Experts' Report provides for the appointment of a Trustee by the Reparation Commission whose particular duty it shall be to carry out that part of the Report which has to do with industrial debentures (Articles 51 to 56 regulate his appointment, his duties and his powers).

As stated above, it is this Trustee who will receive the individual debentures and the industrial bonds.

The Trustee will keep the individual debentures in joint custody with the Bank, and can dispose of them according to the principles laid down in Article 13. The industrial bonds shall be delivered to the Trustee in full ownership. He may, with the permission of the Reparation Commission, sell them, offer them as security for new bonds which be would issue himself or in agreement with the Bank, or carry out any other operations which he may consider advisable. By means of the funds placed at his disposal by the Agent for Reparation Payments he shall assure the service of the interest and amortisation of the individual debentures which he has sold. To this end he may have recourse to the Bank, which must assume responsibility for this service on behalf of the Trustee.

It shall be the duty of the Trustee to satisfy himself that the industrial bonds which he holds are always totally covered by an equivalent amount of individual debentures, non-negotiable or unnegotiated. He alone may restore debentures to the concerns who have redeemed them.

Appeal in Case of Default, Bankruptcy or Liquidation.

The Committee has not only secured the individual debentures and industrial bonds with the most solid guarantees, but has also provided a number of measures to safeguard the interests of the Trustee and of the holders of individual debentures or industrial bonds in case of the default, bankruptcy or liquidation of the concerns encumbered by the mortgage.

If an encumbered concern does not pay into the Bank in due time the proper amount of matured coupons, the Bank acting on its own initiative or at the request of the Trustee, may proceed at once to distraint on all the property, movable and immovable, of the concern in default.

In the event of the bankruptcy of a concern whose debentures are not negotiable, the Bank and the Trustee shall be entitled to a first charge on the assets of the bankruptcy for the amount of the interest and amortisation coupons due, or to fall due before

the end of the year in which the next distribution takes place. The levy on the assets of the bankruptcy for the amount of the yearly instalments which the bankrupt concern should have paid up to the following distribution assures the service of interest and amortisation up to the time when, as the result of a new distribution, the liability which was incumbent on it will be assumed by solvent concerns.

The Committee has not thought it advisable to require the bankrupt concern to pay the amount of its debt in capital. Such a measure would in fact be equivalent to requiring German economy to make payments during the period of the economic crisis greater than those which it would in a period of prosperity, and, by aggravating a situation already difficult, would jeopardize the guarantee given to the bonds by the solidity of German industry.

If the bankrupt concern has issued negotiable individual debentures, all or a part of which have been sold by the Trustee, the latter, on behalf of the holders, may, at his discretion, and if he considers that the mortgage under public law (öffentliche Last) encumbering the real property of the concern is not sufficient to guarantee the amount of the future annuities, either accept industrial bonds purchased by the Bank out of its own resources in substitution for the individual debentures issued by the bankrupt concern, or he may intervene in the bankruptcy and take from the assets the sum necessary to assure the service of interest and amortisation until the individual debentures have been completely amortised. In the latter case the sum levied on the assets must be invested by the Trustee in the first class securities, which shall be entered to an earmarked account opened in his name in a bank which he shall choose in agreement with the Reichsbank. The Trustee shall pay the coupons.

If the Trustee agrees to the substitution of industrial bonds for individual debentures the Bank shall be substituted in the rights of the holders and of the Trustee, and may require the individual debentures and the documents concerning the guarantee to be delivered to it.

Exemption from Taxes.

In accordance with Chapter IV of Annex No. 5 of the Experts' Report, the Committee has decided that the individual debentures and the industrial bonds, as well as the bonds which the Trustee may subsequently issue and the interest and amortisation coupons shall, if held by foreign nationals, be exempt from the German tax on securities (Wertpapiersteuer) and from the tax on revenue from capital (Kapitalertragssteuer), as well as from all future taxes which may be imposed on the securities themselves. The first sale by the Trustee shall be exempt from the tax on the movement of capital (Kapitalverkehrssteuer).

The German Government has reserved the right to exempt the securities from the tax on the movement of capital (Kapitalverkehrssteuer).

If the German Government exercises this right, the Committee considers that the sale of securities will be facilitated.

Arbitration.

In order to give the German concerns encumbered with the mortgage the guarantee that their interests cannot be jeopardized by any measures taken by the Trustee, the Committee has provided that in case of dispute between the Reparation Commission or the Trustee on the one hand, and the Bank and the German Government on the other, either concerning the interpretation of the clauses of the law hereto appended, or concerning the regularity, the advisability or the equity of any measure taken or to be taken by virtue of this law, the dispute shall be referred to an arbitrator. The award of this arbitrator shall be final. His position shall be permanent and he shall be appointed by the Reparation Commission and the German Government, or, in case of disagreement between the Reparation Commission and the German Government, by the then President of the Permanent Court of International Justice at The Hague. This arbitrator shall give his decisions alone, or shall call for the assistance of two other arbitrators to be appointed one by each of the parties concerned.

In several articles of the bill (9, 10, 32 and 71) the Committee provided that the German Government should fix the date on which the provisions of the law should come into force. It was in fact impossible to insert exact dates at this time, since they necessarily depend on the date or dates which it will be for the Governments to fix in common accord as the date on which the Experts' Plan is to be brought into operation. This is the interpretation to be given to the above reference.

For the bill, the German text and not the French translation, shall be authentic; for the Report, the French text, and not the German translation, shall be authentic.

In all questions of legal interpretation, the sole authentic text is that of the bill, and not that of the Report.

In terminating its labours, the Committee desires to express its thanks to all those who have aided it in its task, in particular to the eminent jurists and experts who in each Delegation assisted it with their advice, and to Monsieur André Pierre, who as secretary of the Committee showed a zeal which the latter is happy to acknowledge.

Signed: EDGARD ALLIX.
TRENDELENBURG.

(3) List of amendments introduced as the result of the third reading of the German Industrial Charges Bill.

Article 6.

Paragraph 3.—In the event of the assessment procedure for Vermögenssteuer being abolished or amended in such a way that it ceases to apply to whole groups of concerns affected by the present law, the new distribution will be carried out on the basis of the rule applicable to the last assessment procedure for Vermögenssteuer covering all groups of the encumbered concerns.

Article 10.

Paragraph 2.—After " of fine gold in London " substitute: " For this calculation, the price quoted on the third Stock Exchange day in London before each due date shall be taken " in place of second sentence: " The conversion ..... due date."

Article 13.

Paragraph 4, new.—The amortisation of the individual debentures provided for in paragraph 1 will be carried out by drawings and out of the accumulated portions of the total annuity which are assigned to them. The conditions of execution will be determined by the Trustee in agreement with the Bank. Each concern may proceed to a supplementary amortisation by purchasing on the market and cancelling its own debentures.

As from January 1, 1937, each concern may proceed to a full repayment of its debt.

Article 22.

(1) The sums intended for interest and sinking fund on all individual debentures shall be paid by the concerns to the Bank. In so far as they are in respect of negotiable individual debentures, these sums shall be paid over by the Bank on behalf of the Trustee into the account of the Agent for Reparation Payments at the Reichsbank.

Further dispositions as to places and dates of payment will be adopted and published by the Bank in agreement with the Trustee.

(2) The concern's liability will be discharged through the payments made to the Bank by the concern, and the Bank's liability through the payments made by the Bank on behalf of the Trustee into the account of the Agent for Reparation Payments.

Article 33.

Addition to paragraph 2.

These privileges and guarantees shall not in any way prejudice the rights and interests of holders of industrial bonds and of individual debentures which have already been negotiated.

Article 34.

Paragraph 1 and 2 are replaced by paragraph 1 as follows:

(1) The sums intended for interest and sinking fund of the industrial bonds shall be paid by the Bank on behalf of the Trustee into the account of the Agent for Reparation Payments at the Reichsbank.

Paragraph 3 becomes paragraph 2.

Article 37.

(1) The law of December 4, 1899, on the collective rights of bondholders as amended by the law of May 14, 1914 (*R. G. B.*, 1899, p. 691, 1914, p. 121), especially the provisions of the said law con-

cerning the appointment of a representative of creditors, shall apply to the individual debentures and the industrial bonds: to the first, as soon as the Trustee has sold one-fifth of the negotiable individual debentures of a concern, and to the second, when the Trustee has sold one-tenth of their total value.

(2) For the application of the said law, Articles 38 and 40 must be amended so as to take account of the rights of the Trustee.

Article 42.

(1) ..... (*c*) That the guarantee of the public law mortgage be replaced by a guarantee in the shape of collateral lodged with the Trustee or the representative of the holders (Art. 37);

(*d*) That the guarantee of the public law mortgage be replaced by another guarantee approved by the Trustee and the representative of the holders (Art. 37).

(2) If the Bank and the Trustee agree either to comply with this demand or to reject it, their decision shall be final.

(3) In the event of disagreement between the Trustee and the Bank, or in the cases provided for in paragraph 1 (points *a-c*), upon application by the Trustee or the Bank, the Arbitrator provided for in Article 69 shall decide. He may be assisted by any experts he thinks fit to consult.

Article 43.

In paragraph 1, instead of " To the amount so determined, the mortgage remains effective as against any third party and subsequent purchaser, notwithstanding any alterations in the burden of the vendor."

Read " ..... as against any third party and subsequent purchaser, notwithstanding any increases in the total burden which may be imposed upon the vendor under the present law."

At the end of paragraph 3 instead of " ..... and if the sales made in this way since the creation of the charge do not exceed 50,000 gold marks."

Read: " The present provision shall not apply when the value of the land sold since the creation of the public law mortgage already amounts, at the date of the last sale, to either 50,000 gold marks or to one half of the value of the whole of the land of the concern."

Article 48.

(1) Instead of: " ..... the holder will enjoy, in respect of arrears and current claims, the prior right of satisfaction for which provision is made in Article 47, as laid down in Article 61, paragraph 2 of the Bankruptcy Law."

Read: " ..... The satisfaction of arrears and current claims will benefit by the priority laid down, etc."

Article 49.

Paragraph 2 in fine.

Instead of " ..... any provisions concerning the due notification ..... may be enacted by the Government of the Reich."

Read: " Any provisions concerning the due notification ..... shall be enacted by the Reich Government when the time arrives."

Article 50.

Paragraph 1:

Instead of: " ..... has issued individual debentures which have been negotiated in full or in part by the Trustee."

Read: " ..... has issued negotiable individual debentures."

Article 51.

Paragraph 4, to read as follows:

" The Trustee will be exempt from all costs and judicial charges. Article 90, paragraph 4, of the Judicial Costs Law (Gerichtskostengesetz) of December 21, 1922 (*R. G. B.*, 1923, I. p. 12) shall apply."

Article 54.

" (1) The service of interest and sinking fund for the industrial bonds and for the individual debentures delivered to the Trustee in accordance with Article 14, shall, in so far as the bonds have been sold, be effected by the Trustee from funds placed at his disposal for the purpose by the Agent for Reparation Payments."

Article 58.

Add, *in fine:* " ..... so long as they remain in the hands of the Trustee."

Article 59.

Add to paragraph 1 the following:

" For this purpose, any securities guaranteed by individual debentures or industrial bonds and issued either by the Trustee or with his consent shall count as industrial bonds."

Article 64.

The first sentence of the French text is amended as follows:

Rights contracted on land after the creation of the public law mortgage shall retain their rank after the extinction of the said mortgage.

Article 68.

(2) Delete from " in accordance with the conditions set forth in the Protocol of .....", to end of Article, and substitute

" require the Commissioner of Controlled Revenues, in the conditions laid down in the Protocol of ..... 1924, to pay at the nominal value, the sums due in respect of matured interest and sinking fund. These payments will be taken out of those Budget revenues which accrue to the Reich, as is provided in the aforesaid Protocol.

" At the time of payment, the Trustee shall hand over all unpaid coupons of the negotiable individual debentures and industrial bonds. To the coupons of the industrial bonds will be attached slips signed by him and by the Bank, indicating which concerns have failed to pay the instalments due from them in respect of interest and sinking fund."

Article 69a.

(1) Within two months from the coming into force of the present law, a provisional collective bond of five milliard gold marks similar to Pattern A annexed to the present law shall be handed to the Trustee and to the Bank.

(2) This collective bond shall bear the signature of seven representatives, designated for the purpose by the Reich Government, of the concerns encumbered under Articles 1 to 4.

The Reich Government shall guarantee the principal, interest and sinking fund of this collective bond in the same way as it guarantees, under Article 68, the individual debentures issued by each concern.

(3) The individual debentures issued by each concern in the conditions prescribed in Articles 9 and 11 (paragraphs 1 and 2) and 12 shall, against return of the collective bond be issued and transferred to the joint custody of the Bank and the Trustee not later than February 28, 1925.

2. Industrial Charges Law (Industrie-Belastungsgesetz) August 30, 1924.[1]

(Translation from the Reichsgesetzblatt II of August 30, 1924, p. 257.)

The Reichstag has adopted the following law, which, with the assent of the Reichsrat, is hereby promulgated.

I.—Burden imposed on Industrial Concerns.

1.—Undertakings charged.

Article 1.

(1) The industrial and trading concerns, including mines and shipping concerns (maritime and inland), private railways, narrow-gauge railways and tramways are burdened under the present law with an inclusive debt of 5 milliard gold marks, for the interest and sinking fund payments of which they are bound to provide. This debt is secured by a first mortgage under public law (öffentliche Last), which enjoys priorities laid down in Articles 46 to 50, and in respect of which the several concerns will issue debentures in accordance with the provisions of Articles 9 ff.

(2) Where a concern is worked by a lessee or a usufructuary, the lessee or usufructuary shall be jointly responsible with the owner for the interest and sinking fund payments. The *Bank für deutsche Industrie-Obligationen* may wholly or partially release either of the parties from their liability.

(3) The Government may determine the equitable division of the burden between the owner on the one hand and the lessee or usufructuary on the other.

[1] This volume does not include the decrees subsequently issued by the German Government in execution of this law.

Article 2.

(1) All concerns will be considered as industrial and trading undertakings for the purpose of the present law, with the exception of agricultural and transport concerns (not including navigation companies, private or narrow-gauge railways and tramways), and of concerns exclusively dedicated to banking, insurance, the keeping of cafés, hotels, boarding-houses, and, in general, all exclusively commercial concerns.

(2) The Government may, in agreement with the Trustee, exempt from this charge certain classes of concerns which are manifestly unable to support it.

Article 3.

(1) The undertakings of the Reich and the Länder, and all undertakings whose profits go exclusively to the Reich and the Länder will not be considered as industrial and trading concerns for the purpose of this law.

(2) Concerns which do not present the conditions mentioned in paragraph 1 until after the coming into force of the present law, will not be exempted from the burden imposed upon them.

(3) It will be for the Government to decide whether and under what form the undertakings of Communes or Communal Associations (Gemeindeverbände) are to contribute to the charge created by the present law.

Article 4.

(1) Concerns whose working capital (Betriebsvermögen), as assessed for the tax on real and personal property, does not exceed 50,000 gold marks, will be exempted from the charge, so long as they remain within this limit.

(2) The Government may, in agreement with the Bank and the Trustee, alter the exemption limit.

2.—Distribution of the Charge.

Article 5.

(1) The quota of debt which, under Article 1, will be imposed on each concern, will be calculated on the basis of the working capital as assessed for the tax on real and personal property.

(2) For the purpose of the first distribution, the total debt of 5 milliard gold marks will be distributed, for industrial concerns, on the basis of the working capital as assessed for the tax on real and personal property in the year 1924, and for shipping concerns, private and narrow-gauge railways and tramways, according to the working capital as determined by estimate.

(3) The decision concerning the distribution shall be final, subject to the provisions of Article 15.

Article 6.

(1) The charge thus imposed on each concern will be subject to redistributions based on the subsequent assessments for the tax on real and personal property, and possibly also on the productive capacity (Ertragsfähigkeit) of the several concerns.

(2) After the expiration of a first period of 5 years from the coming into force of the present law, an interval of not less than two years must elapse between two distributions.

(3) In the event of the assessment procedure for the tax on real and personal property being abolished or amended in such a way that it ceases to apply to whole groups of concerns affected by the present law, the new distribution will be carried out on the basis of the rule applicable to the last assessment procedure for the tax on real and personal property covering all groups of the encumbered concerns.

Article 7.

(1) Concerns established in the interval between two distributions, or those which in the same interval have augmented their Betriebsvermögen by means of an increase of capital, will be bound to contribute annual instalments for the service of the debt on the same scale as all the other concerns. The provisions of Articles 2 to 4 shall apply.

(2) In so far as such new concerns or increases of capital are subject to the tax on real and personal property, their contribution will be calculated on the assessment for this tax.

In all other cases the Bank will fix the amount of the charge for which they are liable. Appeals from the Bank's decision may be addressed to the arbitration board laid down in Article 15, whose award shall be final.

(3) The payments received by the Bank under paragraph 1 shall be assigned to an adjustment and guarantee fund.

Article 8.

(1) At the first distribution (Article 5) or at any subsequent distribution (Article 6), the groups of industrial concerns mentioned in the following list shall bear a quota of the total charge at least equal to the percentages indicated in the list.

Groups of Industries.	Percentages.
(*a*) Iron industry (mines and manufacture of iron and steel [Schwerindustrie, Bergbau, Eisen- und Stahlerzeugung])	20%,
(*b*) Machine and electrical industry (including the generation of electrical power [Maschinen- und Elektrische Industrie einschließlich der Elektrizitätserzeugung])	17%,
(*c*) Chemical industry (Chemische Industrie)....	8%,
(*d*) Textile industry (Textilindustrie)	7%.

(2) If it happens that the quotas are more than 10% below these rates, a readjustment must be effected at the next distribution by imposing on the group in question a proportionate extra charge equal to the difference between the quotas of paragraph 1 diminished by 10% and the quotas actually apportioned, and making a pro rata reduction for all the other concerns. The Trustee may waive this readjustment in whole or in part if he is satisfied that

the shortage is due not to any defect in the distribution procedure, but to the natural course of evolution or to a passing crisis in the group of industries in question.

(3) If the Trustee declares his intention to proceed with the readjustment, the Bank shall be entitled, within a month from such declaration, to appeal to the arbitral tribunal provided for in Article 69.

The Tribunal may either decide that the readjustment shall not take place or shall be carried out only partially, or it may order for a given period a reduction of the percentages indicated in paragraph 1.

3.—Issue and Delivery of the Individual Debentures.

Article 9.

Each concern shall issue individual debentures up to the amount of its quota (Article 5) and deliver them to the Bank through the Finance Offices (Finanzämter) by a date to be fixed by the Reich Government.

Article 10.

(1) The individual debentures shall be expressed in gold marks.

(2) For the purpose of the present law, the gold mark shall be equivalent to the price of $^1/_{2790}$ of a kilo of fine gold in London. For this calculation, the price quoted on the third Stock Exchange day in London before each due date shall be taken. The conversion to German currency shall be based on the average rate of the last official Berlin quotation for payments on London on the third Stock Exchange day prior to the date of maturity.

In cases where, as the result of an agreement, this payment is made before the due date, the actual day of payment will for the purpose of conversion, be substitued for the due date.

(3) These individual debentures will be drawn to the Bank. They cannot be called in at the will of the creditor, but are repayable by the debtor in accordance with the conditions laid down in Articles 57 to 66.

(4) In the first year, beginning from the date fixed by the Reich Government, the individual debentures shall carry no interest: during the second year they shall pay $2\,^1/_2$ %; during the third year 5 %, and thereafter 5 % plus 1 % sinking fund.

Article 11.

(1) The Finanzämter shall communicate to the several concerns the quota for which they are liable and invite them to sign the individual debentures, a pattern debenture being submitted.

(2) The individual debentures shall be issued for the total charge of each concern, in round figures made up to multiples of 500 gold marks.

(3) The Bank and the Trustee may demand jointly that these debentures for the total amount shall be exchanged for fractional certificates, the amount of each certificate being indicated by the Bank and the Trustee. It shall not be less than 5,000 gold marks, except where necessary to make up the total figure.

Article 12.

At the first distribution, a collective debenture shall be issued for the total charge which, according to the estimate (Article 5, Paragraph 2), is to be imposed respectively on the shipping concerns and the railway concerns (private and narrow-gauge railways and tramways). The debentures must be signed by two general representatives of the shipping concerns and the railway concerns, who will be appointed by the Reich Government. The division of the charge among the individual concerns will take place at the next distribution. Until then the individual concerns are liable for the interest and sinking fund payments pro rata with their working capital to the total amount of the charge as determined by estimate.

Article 13.

(1) From among the individual debentures of the concerns whose working capital was most heavily assessed for the tax on real and personal property in 1924 and whose combined charge amounts altogether to 1.5 milliard gold marks, the Trustee is authorised to negotiate an amount to the nominal value of 500 million gold marks in accordance with the provisions of Article 14.

The debentures of any individual concern may not be negotiated to an amount exceeding half the charge imposed on it at that distribution.

(2) The Trustee's right of negotiation does not extend to the individual debentures of shipping and railway concerns.

(3) The individual debentures not negotiated by the Trustee shall serve as security for the industrial bonds issued by the Bank.

(4) The amortisation of the individual debentures provided for in paragraph 1 will be carried out by drawings and out of the accumulated portions of the total annuity which are assigned to them. The conditions of execution will be determined by the Trustee in agreement with the Bank. Each concern may proceed to a supplementary amortisation by purchasing on the market and cancelling its own debentures.

As from January 1, 1937, each concern may proceed to a full repayment of its debt.

Article 14.

(1) On the basis of the results of the first distribution, the Bank shall immediately draw up a list in conjunction with the Trustee, of those owners whose individual debentures may be negotiated by the Trustee under Article 13, and shall notify the concerns in question.

(2) At the demand of the Trustee, these concerns must deliver to the Bank, in place of the debentures issued by them for their total charge, new certificates made out to bearer. These will be issued, as the Trustee directs, for 500 gold marks, 1,000 gold marks or multiples of 1,000 gold marks.

(3) The certificates will be marked " negotiable " by the Bank and the Trustee.

(4) The Trustee may keep the certificates himself or may place them in the joint custody of himself and the Bank.

Article 15.

(1) The concern in question may, within a week from the receipt of the notification (Article 14, Paragraph 1) apply to have the value of its working capital, in so far as their inclusion in the list was based thereon, investigated by a special arbitration board. This board shall be appointed by the Reich Government, and shall consist of a member of the Reich Audit Office (Reichsfinanzhof) as Chairman, a member of the Reich Economic Court and a representative of the concern in question; they shall settle the procedure between them. The appeal may also be submitted to a committee of the Reichsfinanzhof, selected by the Reich Government.

(2) The award of the arbitration board shall be final as to the obligation to issue individual debentures mentioned in Article 14, paragraph 2, but it shall not bind the finance authorities in determining the liability for the tax on real and personal property.

(3) If the concern contests its obligation to issue negotiable individual debentures only in respect of the amount imposed, it shall then issue the debentures under Article 14, paragraph 2, for the uncontested amount; for the contested amount, the obligation to issue debentures arises only on the pronouncement of the award of the arbitration board and in the proportion laid down in that award.

(4) If the award has not been pronounced by the end of three months after receipt of the notification mentioned in Article 14, paragraph 1, individual debentures must be issued also for the contested amount, irrespective of the proceedings pending.

Article 16.

(1) If, as the result of investigation by the arbitration board (Article 15), the obligation of a concern to issue negotiable individual debentures is fixed at a sum lower than the nominal amount of the individual debentures already delivered to the Trustee, the mention " negotiable " is to be struck out by the Bank and the Trustee on the debentures in excess of the obligation so fixed. The debentures are then to be drawn to the Bank and transferred to the joint custody of the Bank and the Trustee. As soon as the mention "negotiable" is struck out, they will be on the same footing as the non-negotiable individual debentures.

(2) For any deficit below the total figure of 750 millions which may result from the reduction of the obligation of particular concerns for the issue of negotiable individual debentures the Trustee may require delivery of negotiable debentures from those concerns which, according to the figure of their assessed working capital, come next after the concerns already called upon to issue such debentures. (Articles 14 and 15 shall apply.)

Article 17.

(1) The Trustee may dispose of the negotiable individual debentures after the time-limit accorded to the concerns under Article 60 for the exercise of their right of redemption.

(2) Before he proceeds to dispose of them, he shall announce his intention to the concerns whose debentures he proposes to negotiate, indicating the number and nominal value of the certificates, and give them for one month the opportunity of redemption. Within this period, the concerns may offer to redeem their debentures. In no case may more than the nominal amount be claimed from the concern.

(3) Whenever debentures are disposed of, the Trustee must notify the Bank, which will then destroy an equivalent amount of the industrial bonds deposited with it.

Article 18.

(1) When the Trustee has negotiated 500 million gold marks of individual debentures, he shall return to the Bank the negotiable individual debentures still in his possession. He may before this deliver to the Bank any individual debentures which he waives the right to negotiate. The provisions of Article 16 apply.

(2) The Bank must deliver to the Trustee industrial bonds for the amount returned.

Article 19.

(1) In so far as changes in the amount of the charge result from a new distribution, the individual debentures delivered under Article 11 shall be rectified by the Bank in agreement with the concern, or, if the concern refuses to agree to such rectification, replaced by new debentures.

(2) There will be no rectification of the negotiable individual debentures. Alterations in the working capital of concerns required to produce negotiable debentures will be taken into account by rectification of the non-negotiable individual debentures delivered by them to the Bank. If the working capital has decreased to such an extent that it cannot be adequately taken into account by rectification of the non-negotiable individual debentures, the Bank will have to provide compensation for the sum by which the charge of a concern falls short of the debentures delivered by it; for the purpose of this adjustment it may place industrial bonds at the disposal of the concern.

Article 20.

The issue and exchange of the individual debentures (Article 11, paragraph 2; Article 14, paragraph 2; Article 19) may be enforced by fine under Article 202 of the Reichsabgabenordnung of December 13, 1919 (Reichsgesetzblatt, p. 1993). The amount of each individual fine is not limited.

The term of imprisonment which takes the place of the fine may not exceed six weeks.

Article 21.

If a concern does not perform the obligation to issue individual debentures, or if it fails to do so by the proper date, the head of the competent Finanzamt shall issue the necessary document, which shall have the same effect as though it emanated from the concern in question.

Article 22.

(1) The sums intended for interest and sinking fund on all individual debentures shall be paid by the concerns to the Bank. In so far as they are in respect of negotiable individual debentures, these sums shall be paid over by the Bank on behalf of the Trustee into the account of the Agent for Reparation Payments at the Reichsbank.

Further dispositions as to places and dates of payment will be adopted and published by the Bank in agreement with the Trustee.

(2) The concern's liability will be discharged through the payments made to the Bank by the concern, and the Bank's liability through the payments made by the Bank on behalf of the Trustee into the account of the Agent for Reparation Payments.

II.—Die Bank für deutsche Industrie-Obligationen.

1.—Name and Object of the Concern.

Article 23.

(1) Within one month after the coming into force of the present law, a joint-stock company (Aktiengesellschaft) shall be created with the co-operation of the German banks and shall be known as the "Bank für deutsche Industrie-Obligationen."

(2) Its initial capital shall amount to 10 million gold marks and its headquarters shall be in Berlin.

(3) At the request of the Reich Government the company shall be entered in the Commercial Register. This request shall replace the declarations and particulars provided for in Article 195, paragraphs 1 to 3 of the Commercial Code (Handelsgesetzbuch).

(4) The provisions of the Commercial Code shall apply to the Company, unless otherwise provided in the present law or in the Statutes of the Company.

Article 24.

(1) The object of the concern shall be:

To issue the industrial bonds described in Article 32, to regulate the service of interest and amortisation of these bonds and to receive, hold and administer the individual debentures issued by the industrial concerns as security, as well as to transact all business in connection with or arising from these bonds.

(2) The Bank may also receive and administer any sums and individual debentures which may be imposed upon other branches of German economy for the purpose of equalising the charge instituted by the present law.

(3) For the purposes indicated in Article 19, paragraph 2, and Article 48, paragraph 4, the Bank is also authorised to issue a further series of industrial bonds to an amount not exceeding 200 million gold marks against special cover.

(4) The liability of the industrial concerns under the present law shall not be affected by any charges imposed upon other branches of German economy, with a view to equalising the burden

(paragraph 2). In so far as the Bank receives sums from other branches of German economy, in execution of paragraph 2, it is authorised to waive the individual annuities due to it under Article 22.

2.—Organs of the Company.

Article 25.

The organs of the Company shall be the Managing Board, the Board of Directors (Aufsichtsrat) and the General Meeting.

Article 26.

(1) The Managing Board shall consist of one or more managers, who must be of German nationality but who shall not belong to the Board of Directors.

(2) The Managing Board shall administer the Company's affairs under the supervision of and subject to instructions from the Board of Directors.

(3) The Members of the first Managing Board shall be appointed by the Reich Government for a period of three months. Thereafter they shall be elected by the Board of Directors by a three-quarters' majority of the votes cast.

Article 27.

(1) The Board of Directors shall be composed of 15 members, including the Chairman. Of these 4 shall be elected by the non-German members of the General Board of the Reichsbank, 3 by the Reparation Commission and 7 by the German Government, namely, 3 as representatives of the Government and 4 as representatives appointed from among the encumbered concerns and the shareholders.

(2) The Chairman of the Board of Directors shall be of German nationality. He shall be elected at the beginning of each financial year, by at least 10 votes. He is eligible for re-election.

(3) The Members of the Board of Directors shall be appointed for three years. At the end of the first and of the second financial years 5 members, to be determined by lot, shall retire. They shall be eligible for re-appointment. The provisions of paragraph 1 shall apply to the appointment of new members to replace the retiring members.

3.—Administration Costs.

Article 28.

(1) The Bank shall bear the cost of issuing the individual debentures and industrial bonds and of their delivery to the Trustee. Any costs arising after the delivery of these documents to the Trustee, such as the costs of printing bonds of another kind or the costs of sub-dividing bonds, shall be borne by the Trustee, with the exception of the sub-division of the negotiable individual debentures, provided for in Article 14, paragraph 2, the costs of which shall be borne by the Bank.

(2) 2/3 of all other costs arising from the administration of the Bank shall be borne by the Bank, and 1/3 by the Trustee.

4.—Liquidation.

Article 29.

The Company shall be liquidated after amortisation of all the industrial bonds: any assets remaining after the discharge of all liabilities and the repayment of share capital shall belong to the Reich.

5.—Statutes.

Article 30.

Further particulars regarding the form and the issue of shares, the constitution of the Company and the form in which its declarations and notices are to be made will be contained in the Statutes.

Article 31.

In so far as the provisions of the Statutes do not merely embody the provisions of the present law, they cannot be altered except upon a proposal of the Board of Directors, by a resolution of the General Meeting of shareholders, with the consent of the Trustee and the approval of the Reich Government.

III.—Industrial Bonds.

Article 32.

(1) As counterpart of the individual debentures handed over to it and the public-law mortgages created as security, the Bank shall issue industrial bonds to a total amount of 5 milliard gold marks. and of these shall transfer bonds to a total amount of 4 1/4 milliard gold marks to the Trustee upon the date indicated by the Reich Government.

(2) The industrial bonds shall be bearer bonds; they cannot be called in at the will of the creditor, but are repayable by the Bank under the provisions of Article 35. They shall be divided into two series of 2 1/2 milliard gold marks each. As from the first year of the service of interest, one series shall bear 5 % interest and as from the third year 5 % interest plus 1 % sinking fund, while the other series shall bear no interest for the first year of service, but as from the second year shall bear 5 % interest and from the third year 5 % plus 1 % sinking fund.

Article 33.

(1) With the consent of the Reich Government, the Trustee may agree with the Bank that, in exchange for industrial bonds, foreign currency bonds may be issued against the cover provided for in Article 32, paragraph 1. The Bank's total debt of 5 milliard gold marks and 300 million gold marks in annuities shall not be increased thereby.

(2) Various privileges and special guarantees may be assigned to the bonds expressed in foreign currency. These privileges and guarantees shall not in any way prejudice the rights and interests of holders of industrial bonds and of individual debentures which have already been negotiated.

(3) The Bank and the Trustee shall conjointly determine the form and text of these bonds.

(4) Unless otherwise prescribed in the present law, the provisions applying to the industrial bonds shall apply to these bonds.

Article 34.

(1) The sums intended for interest and sinking fund of the industrial bonds shall be paid by the Bank on behalf of the Trustee into the account of the Agent for Reparation Payments at the Reichsbank.

(2) By paying the interest and amortisation coupons into the account of the Agent for Reparation Payments, the Bank will discharge its liability towards the holders of industrial bonds and interest coupons.

Article 35.

(1) The industrial bonds shall be amortised, by drawings, from the sinking fund accumulated from the annuity payments. Details will be settled by the Bank in agreement with the Trustee.

(2) The Bank may proceed to more rapid amortisation by buying industrial bonds on the open market and cancelling them.

(3) As from January 1, 1937, the Bank may proceed to the complete amortisation of the loan.

Article 36.

(1) The holders of industrial bonds provided for in Article 32 enjoy, as against all other creditors of the Bank, a right of priority in respect of the individual debentures deposited with the Bank, and of all relevant rights and guarantees.

(2) If, under Article 24, paragraph 3, the Bank has issued a further series of industrial bonds, the holders of the latter enjoy, as against all other creditors of the Bank, a right of priority in respect of the special cover assigned to these bonds.

IV.—Rights of Bond-Holders.

Article 37.

(1) The Law of December 4, 1899, on the collective rights of bond-holders as amended by the law of May 14, 1914 (R.G.B. 1899, page 691, 1914, page 121), especially the provisions of the said law concerning the appointment of a representative of creditors, shall apply to the individual debentures and industrial bonds: to the first, as soon as the Trustee has sold one-fifth of the negotiable individual debentures of a concern, and to the second, when the Trustee has sold one-tenth of their total value.

(2) For the application of the said law, Articles 38 and 40 must be amended so as to take account of the rights of the Trustee.

Article 38.

The Trustee shall not be bound by the resolutions passed at the meeting of bond-holders in respect of the industrial bonds and negotiable individual debentures still in his possession. He shall have the right to take part in such meetings either in person or by proxy. He shall not be entitled to vote. The resolutions passed at the meetings of bond-holders shall be communicated to the Trustee.

Article 39.

In so far as the bond-holders have no representative, the rights of the holders shall be safeguarded by the Trustee in accordance with the prescriptions of the present law. Otherwise individual holders shall not be entitled to put forward their claims independently. Any agent appointed to represent the creditors of the Bank for industrial bonds or the creditors of the individual concerns encumbered by negotiable bonds must exercise his powers conjointly with the Trustee. If the Trustee intends to exercise his rights against the debtor, he must afford the holders' representatives, if any, an opportunity of co-operating with him.

Article 40.

Before the appointment of a new Trustee by the Reparation Commission the holders' representatives, if any, shall be consulted.

V.—Guarantees.

Article 41.

(1) If the working capital of an encumbered concern consists of land in Germany, ground rights (Erdbaurechte), mining rights, mining property or railways, these shall be subject to the public law mortgage (Article 1) upon the date of the coming into force of the present law, as security for the yearly payments of interest and sinking fund. The provisions of Articles 1120 to 1137, 1148 and 1150 of the Civil Code shall apply.

(2) If the value of the land and of the rights assimilated thereto which form part of the working capital is so insignificant in proportion to the value of the total working capital, as fixed for the purpose of the first distribution (Article 5, paragraph 2) as unduly to restrict the credit of the mortgaged concern or unfairly to prejudice the rights of third parties who, before the coming into force of this law, have acquired real claims to the land or to the assimilated rights, the Trustee may, at the request of the owner of the land or of the holder of these rights or of any injured creditor, limit the public-law mortgage to that portion of the ground or rights which corresponds to the proportion between the value of the ground and rights on the one hand and the total working capital of the concern on the other.

(3) The public-law mortgage shall take priority over all other claims. The provisions of the German-Swiss Treaty of March 25, 1923, regarding gold mortgages, as well as of the Law of June 23, 1923, passed in that connection (R. G. B. II, page 284) shall not be affected by the present law.

(4) In order to be created and to be effective in respect of third parties, the public-law mortgage does not require to be entered in the Land Book or Register. Upon instructions from the Reich Government an official entry may be made showing that the ground or the right has been mortgaged under the present law.

(5) Upon application of the owner of the ground, of the holder of the mortgaged right, of the Bank or of the Trustee, the public-law mortgage may be entered in the Land Book or Register in favour of present or future holders of individual debentures.

Article 42.

(1) The encumbered concern may demand from the Bank and the Trustee:

(*a*) that the public-law mortgage be distributed over the individual pieces of ground and the rights assimilated thereto in proportion to their value;

(*b*) if the value of the piece of ground or of the rights assimilated thereto considerably exceeds the sum for which they are mortgaged, that the public-law mortgage be limited to certain pieces of ground or rights or to certain categories of the same;

(*c*) that the guarantee of the public-law mortgage be replaced by another guarantee in the shape of collateral lodged with the Trustee or the representative of the holders (Article 37);

(*d*) that the guarantee of the public-law mortgage be replaced by another guarantee approved by the Trustee and the representative of the holders (Article 37).

(2) If the Bank and the Trustee agree either to comply with this demand or to reject it, their decision shall be final.

(3) In the event of disagreement between the Trustee and the Bank, or in the cases provided for in paragraph 1 (points *a-c*), upon application by the Trustee or the Bank, the Arbitrator provided for in Article 69 shall decide. He may be assisted by any experts he thinks fit to consult.

(4) The provision of Article 41, paragraph 5, shall apply.

Article 43.

(1) In the event of the sale of a piece of land, the property shall pass to the purchaser subject to the public mortgage as calculated at the rate of distribution in force when the transfer was carried out. If several pieces of land are mortgaged, the Bank and Trustee must, upon application by the vendor, distribute the charge between the piece of land to be sold and the remaining property (land and rights) according to their proportional value at the time of lodging the application.

To the amount so determined, the mortgage remains effective as against any third party and subsequent purchaser, notwithstanding any increases in the total burden which may be imposed upon the vendor under the present law. Prior to the sale the amount of interest and amortisation for which the piece of land is liable in future shall be entered in the Land Book.

(2) Before selling a piece of land under other conditions, in particular before removing the lien upon it, the consent of the Bank and of the Trustee must be obtained.

(3) The consent of the Bank and of the Trustee is not required if the value of the pieces of land or lots to be sold without transfer of the charge does not exceed one-tenth of the total value of the concern's real property. The present provision shall not apply if the value of the land sold since the creation of the public law mortgage already amounts, at the date of the last sale, to either

50,000 gold marks or to one half of the value of the whole of the land of the concern.

(4) The provisions of paragraphs 1 to 3 shall apply to the rights assimilated to the land.

(5) The provisions of Article 42, paragraphs 2 and 3, shall apply.

Article 44.

Whenever land or a right assimilated thereto is freed from the mortgage or whenever the mortgage resting on it is divided, this operation must be entered in the Land Book at the request of the owner of the property or right.

The request must be accompanied by a certificate regarding the redemption or division of the mortgage, which the Bank and the Trustee are bound to deliver at the request of the owner of the property or right.

Article 45.

The entry or cancellation of the record for which provision is made in Article 41, paragraph 4, will be carried out free of charge.

The Government of the Reich is authorised, with the consent of the Reichsrat, to exempt subsequent entries connected with the mortgage under public law, together with the necessary legal documents and certificates, from all taxes and other charges.

Article 46.

(1) For the settlement of claims in respect of the mortgage, the procedure for execution on the whole of the movable and immovable assets of the mortgaged concern shall immediately be put into effect on application by the Bank, acting in agreement with the Trustee. The application by the Bank will take the place of a writ of execution.

(2) The execution will be carried out in conformity with the provisions of the Code for Civil Procedure, and in so far as it is a question of applying it to the land and rights assimilated thereto in accordance with the provisions of the law on forced sales and compulsory administration (Zwangsversteigerung, Zwangsverwaltung), as formulated in the Law of May 20, 1898 (Reichsgesetzblatt, page 713), and with the special provisions contained in the legislation of the States.

(3) In the event of forced sale or compulsory administration, outstanding claims as well as future claims, in so far as they fall due by the end of the year in which the next distribution takes place, shall enjoy the same rank as is accorded to current claims by Article 10, Point 3 and Article 155, paragraph 2, of the above-mentioned law.

In so far as individual debentures have been negotiated by the Trustee, the prior right of future claims shall extend, in the case of a forced sale, to claims accruing before adjudication, and, in the case of compulsory administration, claims accruing before the termination of the administration.

Article 47.

In the event of the bankruptcy of a mortgaged concern, the claims of the Bank and the Trustee, in respect of the individual debentures which they hold, and on which the industrial bonds are secured, will enjoy, for outstanding, current and future claims, in so far as they fall due before the end of the year in which the next distribution takes place, the prior right for which provision is made in Article 61, Point 2, of the Bankruptcy Law (Konkursordnung) as formulated in the Law of May 20, 1898 (Reichsgesetzblatt, page 369), that is, their claim will rank immediately after that for the wages of employees and workmen. No subsequent annual payments will be taken into account.

Article 48.

(1) In the event of the bankruptcy of a concern the individual debentures of which have been totally or in part negotiated by the Trustee, the satisfaction of arrears and current claims will benefit by the priority laid down in Article 61, paragraph 2, of the Bankruptcy Law.

(2) If, in the opinion of the Trustee, the claim to future payments is not sufficiently guaranteed by a public-law mortgage on the immovable property, or otherwise, in conformity with the provisions of Article 42, paragraph 1, point *c*, or if the Bank and the Trustee do not agree to exchange the debentures issued by the mortgaged concern for industrial bonds of an equal nominal value, the Trustee, in virtue of the above-mentioned Article 61, paragraph 2, can also demand payments falling due subsequently, but in no case more than the principal of the mortgage.

In this latter case, the Trustee may require the sums taken from the bankrupt's assets and intended to ensure future annual payments to be deposited in an earmarked account in his name, at a Bank to be chosen by him in agreement with the Reichsbank. The annual payments will be met from this account.

(3) When the Trustee takes over the industrial bonds, the rights in respect of the individual debentures will pass to the Bank, which can then claim the delivery of the debentures.

(4) Only bonds acquired by the Bank with its own resources or newly issued by it as counterpart for an increase in cover may be exchanged in the manner laid down in paragraph 2.

(5) If the Trustee considers the guarantee provided in paragraph 2 to be inadequate, the Bank may appeal against this decision to the arbitral tribunal for which provision is made in Article 69.

Article 49.

(1) If the whole or part of the working capital of a debtor concern is transferred to a third party, or if the component parts of the working capital are transferred to a third party in selling the concern, the purchaser will be responsible, in lieu of the vendor, for liabilities in respect of arrears and current payments and for

any sums which may fall due up to the end of the calendar year in which the new distribution is effected.

(2) If the debtor concern is liquidated or voluntarily closed down or dissolved, without the transfer to a third party of the whole or part of the working capital, or of its component parts, in selling the concern, capital sufficient to ensure the payment of arrears and current sums up to the end of the calendar year in which the next distribution will probably be effected must be earmarked at the Bank under the conditions laid down in Article 48, paragraph 2.

Any provisions concerning the due notification of the imminent liquidation, closing down or dissolution of the concern, and any measures and precautions to be taken in cases where such notifications are not duly made, shall be enacted by the Reich Government when the times arrive.

Article 50.

(1) If a concern of which the working capital or its component parts (Article 49) have been transferred to a third party, has issued negotiable individual debentures, the new owner is also responsible for the annual payments subsequently falling due.

(2) If, in such cases, all the conditions laid down in Article 49, paragraph 2, are present precautions similar to those there specified must be taken with regard to the payment of annual sums subsequently falling due.

VI.—Trustee.

Article 51.

(1) For the application of the present law a Trustee will be appointed by the Reparation Commission for a period of not less than five years in the first instance. The Government of the Reich will be informed of this appointment.

In the event of the appointment of a new Trustee, the provisions of Article 40 will apply.

(2) The Trustee will have his domicile at Berlin at the headquarters of the Bank, which will place the necessary premises at his disposal.

In agreement with the Government of the Reich, the Trustee may transfer his domicile to any place in or outside Germany, but in that case he shall give notification of such change in the Reichsanzeiger.

(3) The Trustee is exempt, for the acquisition of real estate, from any restrictions which may be imposed by the legislation of the States. He may sue in German Courts of Law. His place of jurisdiction will be Berlin (Bezirk of the Amtsgericht Berlin-Mitte), even if he has transferred his domicile outside Germany.

(4) The Trustee will be exempt from all costs and judicial charges. Article 90, paragraph 4 of the Judicial Costs Law (Gerichtskostengesetz) of December 21, 1922 (Reichsgesetzblatt 1923, I, page 12) shall apply.

Article 52.

The Trustee will receive:

(*a*) The industrial bonds;

(*b*) The individual debentures issued by the industrial concerns, and

(*c*) Any documents connected with the guarantees by which the individual debentures are secured.

Article 53.

(1) With the consent of the Reparation Commission and on its behalf, the Trustee may sell the industrial bonds delivered to him or may use them as security for new issues.

(2) The individual debentures and documents indicated in Article 52, Points *b* and *c*, will be kept in joint custody by the Trustee and the Bank for the common interest of the holders of the industrial bonds and of the Bank; the Bank may not dispose of them without the consent of the Trustee; the Trustee will have the rights indicated in Article 13.

(3) The Trustee must satisfy himself that the cover for the industrial bonds transmitted to him is always available; he will have charge of the earmarked accounts opened in his name (Article 48, paragraph 2; Article 50, paragraph 2).

Article 54.

(1) The service of interest and sinking fund for the industrial bonds and for the individual debentures delivered to the Trustee in accordance with Article 14, shall, in so far as the bonds have been sold, be effected by the Trustee from funds placed at his disposal for the purpose by the Agent for Reparation Payments.

(2) The Trustee is entitled to require the Bank to ensure the interest and sinking fund payments for him and at his expense.

Article 55.

(1) The Trustee is entitled at any time to see and inspect the books and all documents of the Bank which refer to the industrial bonds and their cover. He must be duly notified of all General Meetings and plenary sessions of the Board of Directors and may take part in them.

(2) If he finds that the security of the industrial bonds or the interest and sinking fund payments are seriously endangered by an administrative measure, he may require the Board of Directors to be summoned, may inform the latter and the management of the Bank to this effect and may demand that the necessary measures be taken by the Bank. He may in particular require the Bank to make use of the powers granted it by the present law against concerns which are in arrears with interest and sinking fund payments. If the Bank itself is in arrears, it is bound to make use of these powers, even if not specially requested to do so by the Trustee.

(3) If no agreement can be reached regarding the measures to be taken by the Bank, the arbitral tribunal for which provision is made in Article 69 will decide the question on application by one of the parties concerned. If the Bank is in arrears with payments to the Trustee, it must immediately comply with the demands of the Trustee even before the decision of the arbitral tribunal.

Article 56.

The expenses of the Trustee will be met from the total annual payments of the Reich.

VII.—Redemption.

Article 57.

The mortgaged concern may, in accordance with the following provisions, redeem the individual debentures issued by it, whether they are drawn to the Bank or to bearer, as long as they remain in the hands of the Trustee.

Article 58.

The debtor is entitled to redeem at their nominal value the whole or part of the individual debentures issued by him so long as they remain in the hands of the Trustee.

Article 59.

(1) Redemption may be effected either by the delivery of industrial bonds at their nominal value or by payment in gold, in foreign currency or bills, or in German currency in so far as this has gold parity. For this purpose, any securities guaranteed by individual debentures or industrial bonds and issued either by the Trustee or with his consent shall count as industrial bonds.

(2) Redemption in gold, foreign currency or bills, or in German currency, may be effected only in so far as the cover of the industrial bonds in circulation is not thus reduced below their nominal value.

Article 60.

Without prejudice to the provision of Article 58, the Trustee may within 6 months from the expiry of the time-limit specified in Article 9 accept any proposal by the debtor for immediate or gradual redemption. Until the expiry of the six months in question, the Trustee may not dispose of the individual debentures. The Trustee and the debtor must immediately send to the office appointed by the Government of the Reich a copy of any agreement for redemption.

Article 61.

(1) If individual debentures which serve as cover for the industrial bonds are redeemed, the Bank will receive from the Trustee a corresponding amount of industrial bonds for destruction.

(2) The Trustee must destroy the certificates of the individual debentures redeemed. The debtor will receive a certificate stating that he is released from his debt and that the securities have been destroyed.

Article 62.

If all the individual debentures have been redeemed, the debtor, the mortgaged land and the rights assimilated thereto will be permanently freed from the charge which existed at the time of the redemption. In the event of partial redemption a corresponding part of the charge will be cancelled.

Article 63.

In so far as redemption is effected, the rights of third parties which arose before the public-law mortgage was incurred will rank as though the mortgage had never existed. In so far as entries were made in the Land Book, the third party may demand that the Land Book be rectified. If the Bank notifies the Land Book Office that the mortgage has been extinguished, this Office shall notify third parties, whose rights are shown in the Land Book. The same applies to assimilated rights.

Article 64.

(1) Rights contracted on land after the creation of the public-law mortgage shall retain their rank after the extinction of the said mortgage. The owner of the land and debtor of non-negotiable individual debentures can register the part of an annual payment by which the land is encumbered as an owner's mortgage; the owner's mortgage ranks before rights which arose after the mortgage. In so far as the individual debentures were negotiable, the owner of the land may register as an owner's mortgage a part to be established by the Bank which shall be in proportion to the principal of the debt.

(2) Application for the registration of owner's mortgages (paragraph 1, sentences 2 and 3) must be made not later than three months from the extinction of the mortgage.

(3) The same applies to assimilated rights.

Article 65.

(1) If, after the redemption, the working capital of a concern has increased beyond its value at the time of redemption, it may be encumbered only in respect of this increase, in the event of a re-distribution.

(2) If the charge existing at the time of the redemption is completely paid off, no charge may be made in respect of an increase in capital at the time of the next distribution, nor, in so far as the re-distribution occurs, less than 2 years after the date of the redemption, for the following distribution.

(3) Even in the case of distribution for which there can be no question of exemption under paragraph 1 above, no increase in the working capital not exceeding 15% of the working capital fixed in the last distribution before redemption will be taken into account.

Article 66.

If the working capital is reduced after the redemption has been made, apart from the reduction of capital brought about by the

redemption, an adjustment will be effected if the reduction amounts to at least 10%. The Government of the Reich will issue further regulations in this connection.

VIII.—Exemption from Taxation.

Article 67.

All interest and sinking fund payments in respect of the individual debentures and the industrial bonds shall, up to the day of ultimate redemption, be exempt from all German taxes directly levied on such payments. This exemption does not, however, extend to individual debentures and industrial bonds which are the property or which may lie in the possession, in so far as would involve liability for the tax, of a German national or of companies having their head office or controlling centre in Germany.

IX.—Guarantee of the Reich.

Article 68.

(1) The German Government guarantees the principal, interest and sinking fund payments on the individual debentures.

(2) This guarantee is to be understood as follows: If the interest and sinking fund coupons of the negotiable individual debentures are handed unpaid to the Trustee after the date of maturity, in order that he may safeguard the rights of the creditors, or if the sums due for interest and sinking fund on the individual debentures which are jointly kept by the Bank and the Trustee are not duly paid, the Trustee may either make use of the powers granted him under Articles 46 to 50, or, not earlier than a month from the date of maturity, he may require the Commissioner of Controlled Revenues, in the conditions laid down in the Protocol of August 30, 1924, to pay, at the nominal value, the sums due in respect of matured interest and sinking fund. These payments will be taken out of those budget revenues which accrue to the Reich, as is provided in the aforesaid Protocol.

At the time of payment, the Trustee shall hand over all unpaid coupons of the negotiable individual debentures and industrial bonds. To the coupons of the industrial bonds will be attached slips signed by him and by the Bank, indicating which concerns have failed to pay the instalments due from them in respect of interest and sinking fund.

(3) In the event of payment by the Commissioner of Controlled Revenues (or by the Reich), the debtor is obliged to make repayment to the Reich. The Government of the Reich will issue further regulations in this connection. Any rights which the Trustee, the Bank or the debenture creditors may hold against debenture debtors or against the Bank in respect of interest and sinking fund payments will pass to the Reich. The documents required for the enforcement of the rights must immediately be placed at the disposal of the Reich.

X.—Arbitral Tribunal.

Article 69.

(1) Any dispute between the Government of the Reich or the Bank on the one hand and the Reparation Commission or the Trustee on the other, with regard to the interpretation of the present law or the legality, expediency or equity of any measure taken or which may in future be taken in connection with the present provisions, shall be definitively decided by an Arbitrator. The Arbitrator will be appointed by the Government of the Reich and the Reparation Commission acting together immediately after the coming into force of the present law, for a period of not less than five years. In the event of failure to agree as to the person to be chosen as Arbitrator, he will be appointed by the President of the Permanent Court of International Justice. If in any special case the Arbitrator is prevented from pronouncing a decision, another Arbitrator will be appointed in the same manner for the special case in question.

(2) The Arbitrator may reach his decision alone, or he may demand the assistance of two further Arbitrators to be appointed by the two parties concerned.

(3) The arbitral Tribunal clause (paragraph 1 above) covers in particular the disputes to which reference is made in Articles 8, 42, 48 and 55, paragraph 3.

XI.—Final Provisions.

Article 70.

(1) Within two months from the coming into force of the present law, a provisional collective bond of five milliard gold marks similar to Pattern A annexed to the present law shall be handed to the Trustee and to the Bank.

(2) This collective bond shall bear the signature of seven representatives, designated for the purpose by the Reich Government, of the concerns encumbered under Articles 1 to 4.

The Reich Government shall guarantee the principal, interest and sinking fund of this collective bond in the same way as it guarantees, under Article 68, the individual debentures issued by each concern.

(3) The individual debentures issued by each concern in the conditions prescribed in Articles 9, 11 (paragraphs 1 and 2) and 12 shall, against return of the collective bond, be issued and transferred to the joint custody of the Bank and the Trustee not later than February 28, 1925.

Article 71.

(1) The Government of the Reich may issue legal enactments and general administrative provisions for the execution of the present law.

(2) The Government of the Reich, with the consent of the Trustee, will draw up a pattern for the individual debentures and industrial bonds indicated in Articles 10, 14 and 32. Any divergence from these patterns must have the consent of the Bank and the Trustee. The provisions of Article 69 will apply.

Article 72.

The Government of the Reich will fix the date of the coming into force of the present law.[1]

Berlin, the 30th day of August 1924.

The Reichspräsident,
EBERT.

The Reichswirtschaftsminister,
HAMM.

The Reichsminister der Finanzen,
Dr. LUTHER.

Annex A.

Collective bond for 5 milliard gold marks issued by German industrial and trading concerns within the meaning of the Industrial Charges Law of August 30, 1924.

We the undersigned, signatories to the present collective bond, in execution of Article 70 of the Industrial Charges Law of August 30, 1924, acting in the name and on behalf of the concerns mentioned in Articles 1 to 4 of the said Law and for each concern, within the limits of the portion incumbent upon it under Article 5, do hereby assume liability for interest and sinking fund payments in respect of a debt of 5 milliard gold marks in conformity with the provisions of the said Law.

The holders of the present collective bond shall enjoy the same rights and profit by the same guarantees as those which Articles 9 11 (paragraphs 1 and 2) and 12 of the Industrial Charges Law grant to the holders of the individual debentures issued by each concern.

The Government of the Reich shall guarantee the principal, interest and sinking fund payments of this collective bond in the same way as it guarantees, under Article 68 of the Industrial Charges Law, the individual debentures issued by each concern.

The individual debentures issued by each concern in the conditions laid down in Articles 9, 11 (paragraphs 1 and 2) and 12 of the Industrial Charges Law shall, against return of the collective bond, be issued and transferred to the joint custody of the Bank and of the Trustee, not later than February 28, 1925.

The industrial bonds shall also be delivered by the Bank to the Trustee within the same time-limit.

Berlin, the..... 1924.

For the Government of the Reich:
The authorised representatives of the German concerns:

[1] See Decree of August 30, 1924, p. 161.

3. Statutes of the Bank für deutsche Industrie-Obligationen.

(Translation.)

Minutes of the Founding of the Bank für deutsche Industrie-Obligationen.

Before the undersigned notary,

Justizrat Dr. Karl Meidinger, resident in Berlin, in the district of the High Court of Appeal (Kammergericht), appeared today at the Reich Ministry for Economic Affairs at Berlin, Viktoriastrasse, 34, whither the said notary had presented himself on request, the following persons all known to him personally:

(1) Dr. Hermann Bücher, Privy Councillor of Legation, of Berlin, as attorney for:
   (*a*) The Deutsche Maschinenfabrik A. G., at Duisburg;
   (*b*) Herr Abraham Frowein, Managing Director and factory-owner, of Elberfeld;
   (*c*) Dr. Rudolf Frank, Councillor of Commerce, of Berlin;
   (*d*) Dr. Ernst von Borsig, Privy Councillor of Commerce and factory-owner, of Berlin-Tegel;
   (*e*) Herr Clemens Lammers, Solicitor, of Charlottenburg;
   (*f*) Dr. Peter Hans Riepert, Engineer and Surveyor of Works, of Charlottenburg;
   (*g*) Herr Georg Müller, factory-owner, of Oerlinghausen;
   (*h*) The Deutsch-Luxemburgische Bergwerks- und Hütten-Aktiengesellschaft (mining and iron-smelting Company), at Dortmund;
   (*i*) Dr. Kurt Sorge, honorary engineer, of Berlin;
   (*k*) The Allgemeine Elektrizitäts-Gesellschaft, of Berlin.

(2) Herr Hans von Raumer, ex-Minister of the Reich, of Berlin, as attorney for:
   (*a*) F. Klöckner and Co., Public Trading Co., at Duisburg;
   (*b*) Dr. Walter Clairmont, Privy Councillor of Commerce, of Augsburg.

(3) Professor Dr. Julius Flechtheim of Berlin, and Herr Karl von Renesser of Berlin, both as attorneys for the Köln-Rottweil Aktiengesellschaft, at Berlin.

(4) Herr Direktor Hans Krämer, of Berlin.

(5) Herr Direktor Max Haller, of Berlin, as attorney for the Siemens and Halske Aktiengesellschaft, at Berlin.

(6) Herr Dr. Karl Choné, of Halle a. S., as attorney for the Deutsche Braunkohlenindustrie Verein (lignite syndicate), at Halle a. S.

(7) Herr Otto Brandt, of Berlin, as attorney for the Berliner Handelsgesellschaft Share Co. en commandite.

(8) Herr Ernst Kritzler, banker, of Berlin, representing S. Bleichröder, Public Trading Co., at Berlin.

(9) Herr Kurt Schoeller, Doctor of Law, of Berlin, as attorney for:
  (*a*) The Commerz and Privatbank A. G., at Berlin;
  (*b*) The Dresden Bank (Joint Stock Co.), at Berlin;
  (*c*) M. M. Warburg and Co., Public Trading Co., at Hamburg;
  (*d*) Hardy and Co. Limited Liability Co., at Berlin;
  (*e*) A. Levy, Public Trading Co., at Cologne;
  (*f*) Sal. Oppenheim Jr. and Co., Public Trading Co., at Cologne;
  (*g*) Lazard, Speyer Ellissen, Public Trading Co., at Frankfurt a. Main.

(10) Herr Justizrat Theodor Marba, of Berlin, as attorney for the Darmstädter und National-Bank Kommanditgesellschaft auf Aktien, at Berlin.

(11) Dr. Walter Hoffmann, of Berlin, as attorney for the Deutsche Bank, Joint Stock Co., at Berlin.

(12) Herr Direktor Hermann Jursch, retired Town Councillor, and Herr Direktor Max Sentz, both of Berlin and both representing the Deutsche Girozentrale-Deutsche Kommunalbank, domiciled at Berlin.

(13) Herr Franz Urbig, Banker, of Berlin, and Herr Kurt Schoeller, Doctor of Law, of Berlin, both representing the Direction der Disconto-Gesellschaft share company en commandite, domiciled at Berlin.

(14) Herr Siegfried Ostwald, of Berlin-Wilmersdorf, representing Mendelssohn and Co., Public Trading Co., at Berlin.

(15) Herr Johannes Gerhardt, retired assistant judge, of Berlin, as attorney for the Mitteldeutsche Creditbank, Joint-Stock Co., domiciled at Berlin.

(16) Herr Felix Heimann, Privy Government Councillor, of Berlin, as attorney for the Reichs-Kreditgesellschaft, Joint Stock Company, at Berlin.

(17) Herr Karl Prasse, of Berlin, representing Delbrück, Schickler and Co., company en commandite, domiciled at Berlin.

(18) Herr Walter Vielitz, of Berlin, as attorney for J. Dreyfus and Co., Public Trading Company, at Berlin.

The persons present who are described as attorneys, laid before the notary the powers of attorney given to them.

In so far as the powers of attorney are unstamped, the notary will refrain from affixing stamps to them, under Article 14 of the Reich law for the levying of the industrial charges (Aufbringungsgesetz), of August 30, 1924.

Thereupon, the persons present, Dr. Krämer on his own account, and the others on behalf of the persons and companies they represented, declared:

We are met together, by virtue of the Reich law on industrial charges (Industrial Charges Law), of August 30, 1924, in order, under Article 23 of that law, to found a new joint stock company, which shall be known as the: *Bank für deutsche Industrie-Obligationen.*

We therefore conclude the following:

Articles of Association.

I.—Name and Object of the Concern.

Article 1.

In virtue of the Reich law of August 30, 1924, on industrial charges (Industrial Charges Law), a joint stock company is founded under the name " Bank für deutsche Industrie-Obligationen." The headquarters of the company are at Berlin. The business year is the calendar year; the first business year begins on the day on which the company starts functioning in accordance with the above-named Reich law and ends on December 31, 1925.

Article 2.

(1) The object of the concern shall be: To issue the industrial bonds described in Article 32 of the law, to regulate the service of interest and amortisation of these bonds, and to receive, hold and administer the individual debentures issued by the industrial concerns as security, as well as to transact all business in connection with or arising from these bonds.

(2) The Bank may also receive and administer any sums and individual debentures which may be imposed upon other branches of German economy for the purpose of equalising the charge instituted by the law.

(3) For the purposes indicated in Article 19, paragraph 2, and in Article 48, paragraph 4, of the law, the Bank is also authorised to issue a further series of industrial bonds to an amount not exceeding 200 million gold marks against special cover.

II.—Initial Capital, Shares and Bonds.

Article 3.

(1) The initial capital of the company amounts to 10 million gold marks, divided into 1,000 registered shares at a nominal value of 10,000 gold marks each.

(2) The shares will be paid up on a first call at 25% of the nominal value; further calls will be made according to the decisions of the Board of Directors.

(3) The shares are transferable only with the consent of the Board of Directors.

(4) The form and tenor of the shares and dividend coupons will be determined by the Board of Directors.

III.—Organs of the Company.

Article 4.

The organs of the company shall be:
(1) The Managing Board.
(2) The Board of Directors.
(3) The General Meeting.

1.—The Managing Board.

Article 5.

(1) The Managing Board shall consist of one or more managers, who must be of German nationality, but who shall not belong to the Board of Directors.

(2) The Managing Board shall administer the company's affairs under the supervision of and subject to instructions from the Board of Directors.

(3) The Members of the first Managing Board shall be appointed by the Reich Government for a period of three months. Thereafter they shall be elected by the Board of Directors by a three-quarters' majority of the votes cast.

Article 6.

The functions of the several Managers will be regulated by the standing orders of the company, which must be approved by the Board of Directors.

Article 7.

In order to be binding on the company, declarations of the Managing Board must emanate from two Managers or from a Manager and a proxy.

2.—Board of Directors.

Article 8.

(1) The Board of Directors shall be composed of 15 members, including the Chairman. Of these 4 shall be elected by the non-German members of the General Board of the Reichsbank, 3 by the Reparation Commission and 7 by the German Government, namely 3 as representatives of the Government and 4 as representatives appointed from among the encumbered concerns and the shareholders.

(2) The Chairman of the Board of Directors shall be of German nationality. He shall be elected at the beginning of each financial year, by at least 10 votes. He is eligible for re-election.

(3) The members of the Board of Directors shall be appointed for three years. At the end of the first and of the second financial years 5 members, to be determined by lot, shall retire. They shall be eligible for re-appointment. The provisions of paragraph 1 shall apply to the appointment of new members to replace the retiring members.

Article 9.

The Board of Directors may form committees from among its members. It shall draw up its own standing orders.

3.—The General Meeting.

Article 10.

(1) The Directors' Report will be submitted every year to the General Meeting, which will consider the balance sheet and the appropriation of any net profit in accordance with the recommendations of the Board of Directors. Not more than 6% of the paid-up share capital may be distributed as dividends.

(2) The General Meeting will be convened by means of public notices.

IV.—Liquidation.

Article 11.

The company shall be liquidated after amortisation of all the industrial bonds; any assets remaining after the discharge of all liabilities and the repayment of share capital shall belong to the Reich.

V.—Alterations in the Statutes.

Article 12.

Alterations in the statutes can only be made, upon a proposal by the Board of Directors, by a resolution of the General Meeting of shareholders and with the consent of the Trustee and the approval of the Reich Government. Provisions which are also contained in the Industrial Charges Law may not be amended merely by altering the statutes.

VI.—Notices.

Article 13.

The notices of the company will be published in the German Reichsanzeiger.

The persons present then declared further:

The shares will be issued at their nominal value.

The initial share capital will be subscribed as follows:

	G. M.
I. The principals of Geheimrat Bücher, under 1 *a-f*, each, shares to the nominal value of 500,000 gold marks	3,000,000.
II. The principals of Geheimrat Bücher under 1 *g-k*; the principals of Dr. von Raumer under 2; the Köln-Rottweil Aktiengesellschaft under 3; Herr Krämer under 4; and the principals of the persons present under 5 and 6; each, shares to the nominal value of 400,000 gold marks	4,000,000.
III. The principal of Herr Brandt under 7; S. Bleichröder, public trading company, under 8; the principals of Dr. Schoeller under 9 *a-c*, the principals of the persons named under 10, 11, 15 and 16; the Deutsche Girozentrale - Deutsche Kommunalbank; the Direction der Disconto-Gesellschaft; Mendelssohn and Co., public trading company; each, shares to the nominal value of 200,000 gold marks	2,400,000.
IV. The principals of Dr. Kurt Schoeller under 9 *d-g;* Delbrück, Schickler and Co., company en commandite; and J. Dreyfus and Co., public trading company; each, shares to the nominal value of 100,000 gold marks	600,000.

25% of the share capital must be paid up immediately.

It was moved that the minutes of the proceedings should be done in triplicate.

The minutes were then read to the persons present, approved by them, and signed personally as follows:

Dr. HERMANN BÜCHER.
HANS VON RAUMER.
JULIUS FLECHTHEIM.
KARL VON RENESSER.
HANS KRAEMER.
MAX HALLER.
DR. KARL CHONÉ.
OTTO BRANDT.
ERNST KRITZLER.
FRANZ URBIG.
Dr. KURT SCHOELLER.
THEODOR MARBA.
Dr. WALTER HOFFMANN.
HERMANN JURSCH.
MAX SENTZ.
SIEGFRIED OSTWALD.
JOHANNES GERHARDT.
FÉLIX HEIMANN.
KARL PRASSE.
WALTER VIELITZ.

Signed: Dr. MEIDINGER.

No stamp was affixed to the original document, being exempt from stamp duty under Article 14 of the Industrial Charges Law of August 30, 1924.

Signed: MEIDINGER.

No. 454 of the Notariat's Register for 1924.

Done at Berlin on thirtieth September, one thousand nine hundred and twenty-four.

4. Law of August 30, 1924, for the Production of Industrial Charges (Aufbringungsgesetz).[1]

(Translation from the Reichsgesetzblatt II, of August 30, 1924, p. 269.)

The Reichstag has passed the following law, which is hereby promulgated with the consent of the Reichsrat:

Article 1.

The sums which are required under the law of August 30, 1924, on Industrial Charges (Industrial Charges Law) for the interest and amortisation of five milliard gold marks or for payments under this law, shall be produced in accordance with the following provisions.

I.—Undertakings charged.

Article 2.

(1) Industrial and trading concerns, including mines, transport undertakings, concerns for banking, insurance, the keeping of cafés, hotels and boarding houses and commercial concerns are liable to produce the charges. Concerns dedicated to agriculture, forestry or gardening, and those for stock-breeding, vine-growing or fisheries are not liable to produce the charges; nor are subsidiary concerns connected with agriculture, forestry or gardening, and belonging to industrial and trading concerns, liable to produce the charges.

(2) The following are also industrial and trading concerns within the meaning of this law: productive undertakings of the Reich, States and Communes (communal associations) and productive

[1] This volume does not include the decrees subsequently issued by the German Government in execution of this law.

undertakings the whole of whose profits go to the Reich, States or Communes (communal associations). The meaning of the term "productive undertakings" shall be determined from Article 4, paragraphs 2 and 3, of the Decree for the execution of Article 60 of the Financial Adjustments Law of July 21, 1923 (R. G. B. I, page 731); public savings banks or those attached to public communication services shall, however, count as productive undertakings, if they do not carry on their own savings bank business exclusively. The provision of paragraph 1, sentences 2 and 3, shall apply *mutatis mutandis*. The Reich Postal Service shall not count as a productive undertaking within the meaning of this law.

(3) The provisions of Article 1, paragraphs 2 and 3, of the Industrial Charges Law shall apply *mutatis mutandis*.

(4) The Reich Government can release certain categories of concerns from the obligation to produce the charges, in so far as these concerns are exclusively for purposes of general utility or in so far as this course is justified for reasons of equity.

Article 3.

(1) Concerns whose working capital, as assessed for the tax on real and personal property, does not exceed the sum of twenty thousand gold marks will be exempt so long as they remain within this limit.

(2) The Reich Government may alter the exemption limit.

II.—Distribution of the Sums to be produced.

Article 4.

(1) The sum which has to be paid each year by a concern liable to produce the charge is ascertained from a given amount of capital which is calculated on the basis of the working capital as assessed for the tax on real and personal property. The annual amounts falling to the charge of each concern will be subject to redistribution based on the subsequent assessments for the tax on real and personal property. If an assessment is not made, the capital shall be ascertained according to the provisions of the Law on the tax on real and personal property.

(2) In the event of redistribution (paragraph 1) the productive capacity of the several concerns may be taken into account in a manner to be determined by the Reich Government.

(3) The Reich Government shall determine the rates applicable to the calculation of the annual payments, in accordance with the principles laid down in paragraphs 1 and 2. The rates thus determined shall be binding upon the administrative authorities and the courts.

Article 5.

(1) Concerns liable to produce the charges and which have been established in the interval between two distributions, or those which in the same interval have augmented their Betriebsvermögen by means of an increase of capital, will be bound to contribute annual instalments for the service of the debt on the same scale as all the other concerns.

(2) In so far as such new concerns or increases of capital are subject to the tax on real and personal property, their contribution will be calculated on the assessment for this tax. In all other cases the Reich Government or an office appointed by it will fix the amount of the charge for which they are liable. Appeals from the decision may be addressed to the arbitration board laid down in Article 15 of the Industrial Charges Law. The award of this Board shall be final.

III.—Procedure.

Article 6.

(1) For the execution of the present law the provisions of the Reichsabgabenordnung and of Articles VII and VIII of the Third Fiscal Emergency Decree (Dritte Steuernotverordnung) will apply in so far as nothing to the contrary is provided in this law or in the executory regulations issued in connection with it; this applies more especially to the procedure for estimating and fixing the amount due, to legal procedure and to the procedure for collection and recovery together with the granting of respite and the procedure for refunds.

(2) The competent authorities under this law are the financial authorities of the Reich.

(3) The provisions of Articles 23a and 245 paragraph 2 of the Reichsabgabenordnung will not apply. The co-operation of committees under Article 25 of the Reichsabgabenordnung will not take place.

Article 7.

A written notification will be given regarding the amount of the annual instalments.

Article 8.

If the basis for assessment is altered by a legal decision, new assessment, revision or another enactment, the notification (Article 7) must be officially revised to correspond.

Article 9.

Appeals and legal petitions against the notification may be made in accordance with the Reichsabgabenordnung. Legal proceedings may not be brought on the ground that the working capital on which assessment for the tax on real and personal property was based was estimated at too high a figure; in accordance with more detailed regulations of the Government of the Reich, however, it may be contested that an object does not form part of the working capital.

IV.—Security.

Article 10.

An adjustment and guarantee fund will be constituted at the Bank für deutsche Industrie-Obligationen. The following will be paid into this fund:

(*a*) Payments under Article 5.

(*b*) Supplementary payments of 10% for which the concerns producing the charge are liable in addition to the sums

owed by them under the present law. These payments will be reduced to 5% as soon as the fund amounts to the sum of 150 million gold marks and will lapse altogether as soon as it amounts to the sum of three hundred million gold marks. If the fund falls below this sum, the supplement again becomes payable from the next due date; in this case, however, the Government of the Reich may reduce the supplement after hearing the Bank.

Article 11.

In the event of the bankrupty of a mortgaged concern, the claims for outstanding, current and future payments, in so far as they fall due before the end of the calendar year in which the next distribution will probably take place, will enjoy the prior right for which provision is made in Article 61, Point 2, of the Bankruptcy Law (Konkursordnung). No subsequent annual payments will be taken into account.

Article 12.

The provisions of Article 49 of the Industrial Charges Law will apply *mutatis mutandis*. In the event of a part transfer, however, the vendor and the purchaser will be jointly responsible as debtors for the whole amount; upon application the Finanzamt will make a proportional distribution of the payments. In the event of the liquidation, voluntary closing down or dissolution of a concern, sufficient capital will be assigned as security by depositing an earmarked account in the name of the Bank, in a Bank to be indicated by the latter.

V.—Redemption.

Article 13.

(1) If a concern liable to produce the charge redeems the individual debentures issued by it in whole or in part, in the manner laid down in Articles 57 to 66 of the Industrial Charges Law, the capital on which the annual payments are then based (Article 4, paragraph 1) will be reduced, as from the next due date, by the nominal value of the individual debentures redeemed. In so far as the sum employed for redemption is higher than the capital (Article 4, paragraph 1), the charge will be adjusted as follows: the Bank will refund to the concern on the due dates the sum by which the annual payment for redemption exceeds the annual payment for the capital (Article 4, paragraph 1).

(2) The provisions of Articles 65 and 66 of the Industrial Charges Law will apply *mutatis mutandis*. Complete redemption is effected within the meaning of the present law only if the individual debentures have been completely redeemed.

VI.—Exemption from Taxation.

Article 14.

(1) The Bank für deutsche Industrie-Obligationen will be exempt from all taxes of the Reich, the States and the Communes (Communal Associations), on income, capital (including real estate) and trading concerns.

(2) No tax on corporations, stamp duties or costs will be collected by the Reich or the States in connection with the establishment or its registration in the Commercial Register.

(3) The first sale by the Trustee of the industrial bonds and of the negotiable individual debentures for which provision is made in the Industrial Charges Law will constitute first allotment within the meaning of Article 36 of the Law of April 8, 1922, for a tax on the movement of capital (Reichsgesetzblatt I, page 354).

(4) The Government of the Reich may allow the securities further abatements in respect of the tax on the movement of capital.

VII.—Final Provisions.

Article 15.

The Government of the Reich is hereby authorised to issue legal enactments and general administrative provisions for the execution of the present law, including the elimination of odd amounts.

Article 16.

This law will come into force at the same time as the Industrial Charges Law.

Berlin, August 30, 1924.

The President of the Reich.
Signed: EBERT.
The Reich Minister of Finance.
Signed: Dr. LUTHER.
The Reich Minister for Economic Affairs
Signed: HAMM.

PART VI. THE EXTERNAL LOAN.

1. Letter from the Agent General for Reparation Payments.[1]

Office of the Agent General
for Reparation Payments.

Paris, October 10, 1924.

To the Reparation Commission:

The Agent General herewith reports that the loan of 800 million gold marks contemplated by the Experts' Plan will be placed by British, American and Continental bankers not later than October 16, 1924, provided the Reparation Commission pass the necessary resolutions constituting the service of the loan a first specific charge on all payments provided for under the Dawes Plan to or for the account of the Agent General for Reparation Payments, and a first charge by way of collateral security on the controlled revenues. Such resolutions are requested by the bankers in the form attached to this report as Exhibits I and II.

A draft of the contract letter which has been signed by the American bankers is attached as Exhibit III. The letters of the other bankers vary from Exhibit III only in the respects indicated by a telegram attached as Exhibit IV.

The terms of the proposed loan are set forth in a draft of a proposed letter to be issued to the bankers by the Finance Minister of the German Reich. It is requested by the bankers that the Reparation Commission shall authorise its Secretary General to direct a letter to the Finance Minister of the German Reich to the effect that the Commission has taken the necessary action to enable the service of the loan to be fully secured under the charges referred to in the Minister's statement. A form of the proposed letter of the Finance Minister to the bankers and a form of the proposed letter from the Commission to the Finance Minister are attached to this report as Exhibit V.

The American bankers desire to issue in their prospectus a summary stating particularly the terms of the American offering in the form attached as Exhibit VI. They desire to insert the following words as an introduction to that statement:

> "Dr. Luther, Finance Minister of Germany, has prepared, and the Reparation Commission has approved, the following summary from the statement dated October 1924 printed within."

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[1] The present volume does not reproduce the Exhibits mentioned in this letter, but includes the final texts of the more important documents regarding the External Loan.

A form of the general bond issued by the German Government is also submitted for the information of the Commission and gives detailed information of the specific terms of the obligation of the German Government. It is Exhibit VII.

It is also required that before the bankers shall issue the loan the Reparation Commission shall have made the declaration required by Article 1(*a*) of Annex III of the Final Protocol of the London Conference.

An examination of the documents submitted by the bankers shows:

(*a*) The loan is to be of such an amount as will produce an aggregate net sum of the approximate equivalent of 800 million gold marks, plus the expenses of issue, of negotiation and of delivery. It is to carry interest at 7% per annum and be repayable within twenty-five years by means of a sinking fund to be applied either to the purchase or the drawing of bonds.

(*b*) The sinking fund begins the first year and is payable monthly with the interest. On the basis of the present exchange rates it is estimated that the annual sum required for the service of interest and amortisation of the loan will be approximately 91,500,000 gold marks.

(*c*) The issue price and the cost of the loan is shown in detail in the documents above submitted.

The Agent General is prepared to take the action required of him in order to make the loan effective on the terms and conditions shown in this report.

Respectfully submitted,

OWEN D. YOUNG.

2. Text of the General Bond securing the Loan.[1]

German external loan, 1924.

Issue of long term Bonds of various denominations and in various currencies by the German Government to secure sums producing in the aggregate an effective sum of the approximate equivalent of Eight Hundred Million Gold Marks plus the expenses of issue, of negotiation and of delivery.

General bond.

These Presents entered into between the Government of the German Reich (hereinafter called "the German Government") of the one part and Seymour Parker Gilbert, Nelson Dean Jay and Carel Eliza ter Meulen as the Trustees for the Holders of Bonds for the time being issued and outstanding under the provisions of these presents (hereinafter referred to as "the Trustees") of the other part witnesseth as follows:

(1) These presents, and all Bonds issued hereunder bind validly the German Reich and the Government thereof for the time being.

[1] Text approved by decision No. 2952 of the Reparation Commission, dated October 17, 1924.

(2) In virtue of all the powers them hereunto enabling the German Government have determined to contract in manner hereinafter appearing a Loan (which shall be called and known as the "German External Loan 1924" and is hereinafter referred to as "the Loan") upon the terms and conditions hereinafter contained such Loan being for the purposes of the Plan (hereinafter referred to as "the Experts' Plan") embodied in the Report dated the ninth day of April One thousand nine hundred and twenty-four of the First Committee of Experts appointed by the Reparation Commission (constituted under the Treaty of Versailles) to "consider the means of balancing the budget and the measures to be taken to stabilise the currency of Germany".

(3) The total authorised amount of the Loan is such a nominal amount as shall be necessary to yield an effective sum of the approximate equivalent of Eight Hundred Million Gold Marks plus the expenses of issue, of negotiation and of delivery calculated in accordance with the rates of exchange current in London on the date agreed for the signing of the various contracts between the German Government and the several bankers undertaking the issue of the Loan, viz., the tenth day of October one thousand nine hundred and twenty-four. The German Government shall raise the said authorised amount of the Loan with all convenient speed by issues in the United States of America, Great Britain, Belgium, France, Holland, Italy, Sweden, Switzerland and Germany or in either one or more of such countries. Such issues shall be secured by definitive Bonds of the German Government issued in such currencies and at such price or prices and of such denominations and generally on such terms as the German Government shall agree upon. All Bonds shall carry interest at such a rate per centum per annum as shall be specified therein and such interest shall be payable in the currency therein specified at such bank or banks or other financial institution or institutions as shall be named by the Trustees situated in the country where the Bonds shall respectively be issued by half-yearly instalments on the fifteenth day of April and the fifteenth day of October in every year. All Bonds issued by the German Government in respect of the Loan shall rank *pari passu* irrespective of date or place of issue or otherwise.

(4) Prior to or simultaneously with the issue of any portion of the Loan the German Government shall give to the Trustees an acknowledgment in writing (under the hand of the Minister of Finance for the time being) that the German Government is indebted to the Trustees to an amount equivalent to and in the same currency as the portion of the Loan about to be issued carrying interest at the rate to be specified in the Bonds of such issue payable by half-yearly instalments on the fifteenth day of April and fifteenth day of October in every year and the German Government hereby covenants with the Trustees that as and when the principal moneys secured by the Bonds to be issued by the German Government in respect of the Loan or any part thereof ought to be redeemed or paid off the German Government will pay in the respective currencies of issue to the Bondholders or those whose Bonds ought to be redeemed or paid off in accordance with the provisions of these presents and the provisions of the relative Bonds the full

amount of the same at such place or places and in such manner as the Trustees shall direct and will in the meantime pay in the respective currencies of issue to the Bondholders interest on the principal moneys secured by their Bonds and shall also pay all charges, commissions and other payments to be made and payable in connection with the service of the Loan or otherwise howsoever and such interest shall be paid by half-yearly instalments on the fifteenth day of April and fifteenth day of October in every year at such place or places and in such manner as the Trustees shall direct and the German Government hereby further covenants that nothing contained in the Experts' Plan or in any Agreement Protocol Act of Parliament or Resolution entered into issued enacted or passed consequent on or for the purpose of bringing into operation such Plan (excluding only these Presents and the Bonds issued hereunder) shall limit restrict or vary or be deemed to limit restrict or vary the obligation of the German Government under the preceding covenant or any other covenant or engagement contained in these Presents or any Bond issued hereunder.

(5) In addition to the direct and unconditional obligation contained in the last preceding clause hereof (whereby the principal interest and other moneys therein specified become chargeable on all the present and future assets and revenues of the German Government for the due fulfilment of such obligation) it is hereby declared and agreed that with the approval of the Reparation Commission (duly constituted under the Treaty of Versailles) and with the approval of the Agent General for Reparations (duly appointed pursuant to the Experts' Plan) the amounts required for the service of the Loan are specifically secured by a first charge on all payments provided for under the Experts' Plan to or for the account of the Agent General for Reparation Payments and it is also declared and agreed with the like approvals as aforesaid that the said amounts required for the service of the Loan are specifically charged by way of collateral security as a first charge on the gross revenues of the German Government from the customs and from the taxes on tobacco, beer and sugar and from the net revenue of the German Government from the spirits monopoly and also on such other taxes (if any) that may hereafter be specifically assigned by the German Government for the purposes of securing the German budgetary contributions in accordance with the Experts' Plan.

(6) The whole of the Loan shall be redeemed by not later than the fifteenth day of October one thousand nine hundred and forty-nine. Provision for the redemption of the Bonds issued and payable in United States of America Dollars shall be made by means of twenty-five equal annual payments each such payment to be sufficient to provide for redemption at one hundred and five of one twenty-fifth part of the nominal amount of the Bonds originally issued. Provision for the redemption of the Bonds of all the other issues shall in each case be provided for by annual payments such payments to be the amount applicable to redemption in accordance with a cumulative sinking fund table calculated by the Trustees forthwith as being sufficient to redeem each such issue

at par. The following further provisions as to redemption shall have effect:

(*i*) Each issue in each of the before mentioned countries where an issue is made to raise any portion of the total authorised amount is hereinafter referred to as "a particular issue" and for the purposes of this clause shall be deemed to be a separate issue.

(*ii*) For the purposes of this clause the period of the Loan shall be deemed to be divided into financial years expiring on the fifteenth day of October in each calendar year the first financial year in respect of each particular issue being the year ending the fifteenth day of October one thousand nine hundred and twenty-five and the last financial year in respect of any particular issue being the financial year expiring on the fifteenth day of October one thousand nine hundred and forty-nine.

(*iii*) For each particular issue and in each financial year each annual payment shall be applied by or under the direction of the Trustees in or for the redemption of the relative Bonds at the price therein provided such Bonds so to be redeemed being selected by drawings subject however as hereinafter mentioned in sub-clause (*vi*).

(*iv*) The drawings shall be made in respect of any year in which drawings are necessary not earlier than the month of August and not later than the month of September and in such manner and by and in the presence of such person or persons and at such time and subject to such regulations as the Trustees shall deem expedient.

(*v*) Forthwith after any such drawing shall have been effected the Trustees shall take or cause to be taken such steps as they shall deem convenient by advertisement in newspapers or otherwise for notifying the Bondholders whose Bonds shall have been drawn for redemption and for naming a time and place and generally for providing for the presentation for payment and cancellation of such Bonds complete with unmatured interest coupons against payment of the principal moneys thereby secured. The Trustees may also where necessary publish in each or any year a list of the numbers of the Bonds drawn in preceding years which shall not have been presented for payment. No drawn Bond shall continue to carry interest after the due date for payment of the principal moneys. All drawn Bonds shall be due for repayment of principal on the fifteenth day of October immediately following the date of drawing. The Bonds presented for payment must have attached thereto all unmatured coupons and in the event of one or more of such coupons being absent the amount of the same will be deducted from the sum payable to the Bondholder.

(*vi*) Provided that the German Government shall in respect of each particular issue and having regard to the provisions of the Bonds thereof be entitled to purchase such Bonds at less than the price at which according to the provisions of

the Bonds so purchased the same can be redeemed by drawings. And to the extent that the German Government proves to the satisfaction of the Trustees such purchases the amount applicable for the redemption of the Bonds of any particular issue shall be reduced by the actual purchase price (exclusive of accrued interest) paid by the German Government for the purchase of Bonds of such particular issue and any necessary adjustments shall be made accordingly. And the German Government shall provided and whilst there shall be no existing default by such Government in any of its obligations under these presents be entitled to require that the whole or any portion of the moneys in the hands or under the control of the Trustees and applicable in accordance with the provisions of these presents and the provisions of the Bonds of any particular issue to the redemption of such Bonds be applied in manner aforesaid in or towards the purchase of Bonds of such particular issue and the Trustees may accordingly purchase such Bonds or cause or allow the same to be purchased and the Trustees shall make all adjustments necessary to give effect to the foregoing provision.

(*vii*) All Bonds drawn or purchased for redemption under the preceding provisions shall be cancelled in manner required by the Trustees and lodged with them or dealt with as they may direct and shall not under any circumstances be reissued nor shall any other obligations be issued in substitution therefor.

(*viii*) In carrying out the provisions of this clause it is the intention that the Trustees shall have regard to the powers and duties imposed upon the German Debt Administration by the laws of Germany so far as the same are applicable thereto.

(7) In order to ensure no interruption taking place in the service of the interest on and the redemption of the Bonds of each particular issue the German Government fifteen days prior to the due date for the payment of any instalment of interest and fifteen days prior to the due date on which any annual sum is payable in accordance with the provisions of Clause 6 hereof shall set aside and pay to the Trustees or as they shall direct the funds respectively necessary for the service of such interest and redemption.

(8) With a view to carrying into effect the foregoing provisions there shall be paid to the Trustees or as they may direct on the fifteenth of each calendar month of each financial year such a sum as shall be the equivalent of at least one-twelfth of the amount required to meet the service of the interest on and the redemption of the Loan for one year having regard to the foregoing provisions of these presents and the provisions of the Bonds of each particular issue—including in such service all charges, commissions and other payments to be made by the German Government in connection with the Loan for such year. The amount to be paid on the fifteenth of each month as aforesaid shall be apportioned between the particular issues of the Bonds made in the various countries and in

proportion to the respective aggregate amount of the yearly service for such year of the Bonds of such particular issue respectively and the amount apportioned to each such particular issue shall be paid to or at the direction of the Trustees in the currency of such issue at any such place or places within the country of issue or otherwise as the Trustees shall require provided always that nothing in the preceding provisions of this clause shall relieve the German Government from its obligations under Clauses 4 and 7 hereof provided nevertheless that in making the payments required by Clauses 4 and 7 hereof the German Government shall be given credit as the Trustees shall direct for the payments made pursuant to the preceding provisions of this clause.

(9) Any moneys for the time being in the hands of or under the control of the Trustees under the foregoing provisions of these presents and not presently required to be applied in the purchase or redemption of Bonds, payment of interest or otherwise as hereinbefore provided may be placed on deposit by or under the direction of the Trustees with such bank or banks or other financial Institution or Institutions and at such rate or varying rates of interest and generally on such terms as the Trustees may in their sole discretion think fit or the Trustees may purchase with the same and hold short term Government obligations and all interest or other income when actually received by the Trustees shall be added to the moneys so in the hands of or under the control of the Trustees and shall operate to that extent to relieve or release the German Government from its obligations under the foregoing provisions of these presents provided always that in acting under the foregoing provisions of this clause the Trustees shall not make any deposit or investment of moneys applicable to any particular issue excepting in the currency in which the Bonds of any such particular issue are payable.

(10) The principal and interest of all the Bonds issued in respect of the Loan shall be paid without deduction for all present or future German taxes, stamp or other duties, dues or public charges of any kind whatsoever and neither shall this General Bond nor any Bond or any other document or letter bearing upon the said Loan be subject to any German registration fees, stamp duties or other similar duties. The principal and interest of the Bonds will be paid in time of war as well as of peace and no matter whether the holders of the Bonds are subjects of a state friendly or hostile to the German Reich and in no case shall the same be attached or sequestrated.

(11) All temporary Bonds (if any) shall be signed by some person or persons duly authorised hereto on behalf of the German Government by the Reichsbank and Definitive Bonds shall be signed on behalf of the German Government by at least two members of the German Debt Administration (Reichsschuldenverwaltung) (all of whose signatures may be facsimile signatures reproduced either by engraving, lithography or any other suitable process). In addition where the Regulations of any Stock Exchange under which the Definitive Bonds of any particular issue are issued so require such Bonds shall be signed and/or countersigned (as the case may

be) in writing in accordance with such Regulations by some person or persons duly authorised in that behalf by Resolution of the German Debt Administration.

(12) In case any of the said Bonds shall at any time become mutilated or destroyed or lost a new Bond of like amount, tenor and date will be issued by the German Government in exchange for and upon cancellation of the Bond so mutilated and its coupons or in lieu of the Bond so destroyed or lost and its coupons but in the case of destroyed or lost Bonds only upon receipt by the Trustees and a representative of the German Government of evidence satisfactory to them that such Bonds and coupons were destroyed or lost and upon receipt also of a satisfactory indemnity.

(13) The expression " the Trustees " where used in these presents shall where the context so requires or admits include the said Seymour Parker Gilbert, Nelson Dean Jay and Carel Eliza ter Meulen and the survivors and survivor of them and every other person and corporation appointed to be Trustees hereof.

(14) The Trustees shall be not less than three in number of whom the Agent General for Reparation Payments for the time being shall by virtue of his office always be one. A Trustee other than the Agent General for Reparation Payments may at any time resign on giving one month's previous notice in writing to his co-Trustees. In the event of the death or resignation of a Trustee other than the Agent General for Reparation Payments the remaining Trustees shall forthwith appoint any other person or persons to be a Trustee or Trustees of these presents in place of the Trustee or Trustees so dying or resigning. The Trustees may at any time or from time to time appoint any additional Trustee or Trustees of these presents. The continuing Trustees may act notwithstanding any vacancy in their body and notwithstanding that their number be for the time being reduced below three. Whenever there shall be more than two Trustees hereof the majority of such Trustees of whom the Agent General for Reparation Payments shall be one shall be competent to execute and exercise all the trusts, powers and discretions hereby vested in the Trustees generally. A body corporate may at any time be appointed a Trustee of these presents.

(15) The German Government shall in each and every year during the continuance of the Loan pay to each of the Trustees for the time being of these presents a sum at the rate of One Hundred Pounds Sterling per annum (or such other rate as the German Government may agree with the Trustees) by equal half-yearly payments on the fifteenth day of April and the fifteenth day of October in every year in addition to all travelling and other costs, charges and expenses which he may incur in relation to these presents.

(16) In the event of any interest or principal moneys not being punctually claimed when due by the person or persons entitled thereto the Trustees shall hold the same on trust for the persons entitled thereto under the provisions of these presents but in the meantime the Trustees shall in no case be obliged to deposit or to invest any such moneys in their hands or under their control so that the same may earn interest or other income but such moneys may be kept on current account without interest. Furthermore the

Trustees shall not in any event be obliged to retain or hold any moneys due in respect of principal or interest subsequently to the expiration of five calendar years after the date on which the last outstanding bond of the Loan should have been paid off but they may in their discretion pay the same to the German Government who shall continue to hold such moneys upon the same terms and subject to the same obligations as the Trustees would have held them and the receipt of the German Government to the Trustees for any of such moneys so paid as aforesaid shall be and remain a good and sufficient discharge to the Trustees for such moneys and in respect of claims by all persons in respect thereof.

(17) No Trustee of these presents shall be liable or responsible for anything whatsoever except a breach of trust knowingly and intentionally committed by him.

(18) The term "Bonds" where used in these presents shall where the context so admits or requires be deemed to mean the Temporary Bonds and/or the Definitive Bonds of the Loan which are to be issued by the German Government to the persons and corporations entitled thereto: the form of such Bonds shall be in accordance with the requirements of the Stock Exchange Regulations of the country of issue and subject thereto shall be such as the Trustees approve or prescribe—the Trustees co-operating with the German Debt Administration in the preparation of the Definitive Bonds.

(19) These presents shall be printed in the English language and all Definitive Bonds to be issued by the German Government in respect of the said Loan shall be printed in the English and German languages and where required the language of the country in which such respective Bonds shall be issued. A copy of these presents in the English language shall be endorsed on all Definitive Bonds. In the event of any divergence between the texts the English text shall prevail.

(20) No increased obligation on the part of the German Government shall be deemed to have been created by reason only of the fact that besides the acknowledgments of indebtedness of the German Government herein contained or provided for acknowledgments of indebtedness shall also be contained in the Temporary and Definitive Bonds issued in accordance with these presents.

Being duly empowered to bind as well the German Reich as any Government thereof for the time being I the undersigned being the present Minister for Finance have hereunto set my hand and seal this tenth day of October one thousand nine hundred and twenty-four.

(Signed) Dr. LUTHER.

(Seal.)

3. Omnibus Contract.

German external loan, 1924.

October 10, 1924.

His Excellency Dr. Luther, Finance Minister of the German Reich, Berlin.

Sir,

We, the undersigned, hereby severally undertake to issue for public subscription or to place, not later than the 10th November,

1924, a portion of the above-mentioned Loan, our respective portions to be as set forth below and our undertakings to be subject to the terms and conditions stated herein and in our separate letters supplemental hereto, which letters are for the purpose of defining the special provisions necessary to meet the varying conditions and usages of the several Markets.

	Nominal Amount
Messrs. J. P. Morgan and Co., and Associates in the United States of America.	$ 110,000,000
The Bank of England ..... in Great Britain.	£ 12,000,000
La Société Nationale de Credit à l'Industrie and Associates ..... in Belgium.	£ 1,500,000
Various French Subscribers, severally ..... in France.	£ 3,000,000
Messrs. Hope and Co. and the Nederlandsche Handel-Maatschappij ..... in Holland.	£ 2,500,000
The Banca d'Italia ..... in Italy.	Lire 100,000,000
Stockholms Enskilda Bank and Associates .... in Sweden.	Kr. 25,200,000
Le Crédit Suisse and Associates ..... in Switzerland.	£ 3,000,000

Conditions of Undertakings.

I.—That a further portion of the Loan will be issued in Germany sufficient, in conjunction with the portions to be issued or placed by us, to produce an aggregate net sum of the approximate equivalent of Eight hundred million gold marks plus the expenses of issue, of negotiation and of delivery.[1]

II.—That, prior to the issue or placing of the Loan,

(1) The Reparation Commission shall have

(*i*) Made the declaration required by Article 1 (A) of Annex III of the Final Protocol of the London Conference dated 16th August, 1924;

(*ii*) Passed the necessary Resolutions constituting the service of the Loan a first specific charge on all payments provided for under the Dawes Plan to or for the account of the Agent General for Reparation Payments, and a first charge by way of collateral security on the Controlled Revenues. Such Resolutions to be substantially in the form hereto annexed.

(2) That the Transfer Committee and the Agent General for Reparation Payments shall have established in favour of funds required to be sent abroad for the service of the Loan an absolute right of remittance, which right shall have priority over the remittance of funds required to be sent abroad in discharge of Reparation Payments or other liabilities.

[1] Subsequently issued in the principal amount of £ 320,000.

III.—That the Bonds of all Issues forming part of the Loan shall be issued at substantially the same issue price to the public, viz., 92%, and that all are to be equally secured under the provisions of a General Bond of the German Government approved by us and by the Reparation Commission.

IV.—That after deduction of the sums to be retained by us respectively in accordance with the conditions contained in our separate letters the remaining proceeds of the issue be paid as and when available to the Reichsbank to the credit of an account in the name of the Reich and under the control of the Agent General for Reparation Payments.

V.—That the terms of the Prospectuses under which the several portions of the Loan are to be issued or placed be approved by the German Finance Minister and that a Statement regarding the Loan approved by us and signed on behalf of the German Government with the approval of the Reparation Commission, be annexed to such Prospectuses.

VI.—That as this letter is written in advance of the execution of the General Bond, the provision contained in Clause IV shall not take effect until the said General Bond has been executed on behalf of the German Government.

VII.—That our undertaking is made on the understanding that, in the event of there occurring between this time and the date of issue or placing of the first portion a material change in existing political, economic or market conditions, such change might render it impossible to proceed with the Issue.

We are, Sir,

Yours most faithfully,

For Messrs. J. P. Morgan and Co., and Associates,
Signed: J. P. MORGAN AND CO.

For the Bank of England,
Signed: M. NORMAN, *Governor.*

For la Société Nationale de Crédit à l'Industrie and Associates,
Signed: A. E. JANSSEN.

For various French subscribers severally,
Signed: CH. SERGENT,
J. PARMENTIER.

For Messrs. Hope and Co.,
and the Nederlandsche Handel-Maatschappij,
Signed: HOPE AND CO.,
J. BIERENS DE HAAN.

For the Banca d'Italia,
Signed: J. NATHAN.

For the Stockholms Enskilda Bank and Associates,
Signed: ERIC HAMBRO.

For le Crédit Suisse and Associates,
Signed: R. G. BINDSCHAEDLER.

4. Prospectus of the English Tranche.

German external loan, 1924.

In Bonds of various Issues for amounts sufficient to yield in the aggregate an effective sum of the equivalent of Gold Marks 800,000,000 plus the expenses of issue, of negotiation and of delivery.

Capital and interest payable without deduction for any German Taxes, present or future.

Issue of £ 12,000,000

German Government £ 7% Sterling Bonds, 1924.—British Issue (being a portion of the above-mentioned Loan).

Interest payable half-yearly on April 15 and October 15.

The first Coupon will be for £ 2. 10s. % and will be payable on April 15, 1924.

Price of issue, £ 92%.

Payable as follows:

On application	£ 5%.
On Tuesday, November 4, 1924	£ 25 „.
On Friday, December 5, 1924	£ 30 „.
On Thursday, January 8, 1925	£ 32 „.
	£ 92%.

The Governor and Company of the Bank of England are authorised to receive applications for £ 12,000,000 German Government £ 7% Sterling Bonds, 1924. The Bonds will be to bearer and will be issued in denominations of £ 100, £ 500 and £ 1,000.

The terms, conditions and security of the German External Loan, 1924, of which this Issue forms part, are set forth in a Statement signed by the Minister of Finances of the German Reich and appended to this Prospectus.

Principal and Interest of Bonds of this Issue will be payable in sterling at the Bank of England, London. Interest will be payable half-yearly by Coupon on April 15 and October 15. A first payment of £ 2. 10s. % will be made on April 15, 1925.

The portion of the Sinking Fund applicable to this Issue will be applied in the purchase of Bonds when the price thereof is below par (exclusive of accrued interest) or by drawings at par when the price is at par or above (exclusive of accrued interest). In any year in which drawings are necessary, such drawings will be made during the month of September, commencing with September, 1925, in such manner and subject to such regulations as the Trustees may deem expedient: the Bonds then drawn will be due for repayment on the following October 15 on which date they will cease to bear interest. The numbers of the Bonds drawn will be published by

advertisement in "The Times" not less than one month prior to the date of redemption.

Bonds not previously redeemed by purchase or drawing will be repaid at par on October 15, 1949.

Applications, which must be accompanied by a deposit of £ 5 %, will be received at the Bank of England Loans Office, 5 and 6 Lombard Street, E. C. 3. In case of partial allotment the balance of the amount paid as deposit will be applied towards payment of the first instalment; should there be a surplus after making that payment, such surplus will be refunded by cheque.

Applications must be for sums of £ 100 or multiples thereof.

Instalments may be paid in full after allotment under discount at the rate of 3 % per annum. In the case of full payments made before November 4, 1924, discount will only be allowed from the latter date.

Default in the payment of any instalment by its proper date will render the deposit and any instalments previously paid liable to forfeiture and the allotment to cancellation.

Scrip Certificates to Bearer with Coupon attached for the interest payable April 15, 1925, will be issued in exchange for the Allotment Letters. Fully-paid Scrip Certificates will be exchangeable in due course for definitive Bonds.

A commission of 5s. per £ 100 will be paid to Bankers and Stockbrokers on allotments made in respect of applications bearing their stamp.

As mentioned in the accompanying Statement, arrangements have been made under which certain of the portions of the Loan issued in other Countries will be in Sterling Bonds; the Bonds of each such issue will constitute a separate series and it is intended to make application, after the lapse of two years from the date of this Prospectus, for the admission to a quotation on the London Stock Exchange of such Sterling Bonds issued outside the United Kingdom.

A copy of the General Bond securing the Loan, of the Treaty of Versailles, of the Report of April 9, 1924, by the First Committee of Experts appointed by the Reparation Commission, of the final protocol of the London Conference dated August 16, 1924, with annexes, and of a letter delivered to the German Delegation in London on August 16, 1924, by the French and Belgian Delegations containing a Declaration by the French and Belgian Governments regarding the evacuation of the Ruhr may be seen at the Bank of England Loans Office, 5 and 6, Lombard Street, E. C. 3, and at the offices of Messrs. Freshfields, Leese and Munns, 31, Old Jewry, E. C. 2., during business hours, while the list is open.

Prospectuses and Application Forms may be obtained at the Bank of England Loans Office, 5 and 6, Lombard Street, E. C. 3, and at any of the Branches of the Bank; of Messrs. Mullens, Marshall, Steer, Lawford and Co., 13, George Street, Mansion House, E. C. 4; and at any Stock Exchange in the United Kingdom.

Prospectuses and Application Forms may also be obtained at Offices in Great Britain of the undermentioned Banks:

Bank of Liverpool and Martins, Ltd.
Bank of Scotland.
Barclays Bank, Ltd.
British Linen Bank.
Clydesdale Bank, Ltd.
Commercial Bank of Scotland, Ltd.
Coutts and Co.
District Bank, Ltd.
Glyn, Mills and Co.
Lancashire and Yorkshire Bank, Ltd.
Lloyds Bank, Ltd.
Manchester and County Bank, Ltd.
Midland Bank, Ltd.
National Bank, Ltd.
National Bank of Scotland, Ltd.
National Provincial Bank, Ltd.
North of Scotland Bank, Ltd.
Royal Bank of Scotland.
Union Bank of Manchester, Ltd.
Union Bank of Scotland, Ltd.
Westminster Bank, Ltd.
Williams Deacon's Bank, Ltd.

The List of Applications will be closed on or before Friday, October 17, 1924.

Bank of England,
London, October 14, 1924.

5. Prospectus of the American Tranche.

$ 110,000,000 German external loan of 1924, 7 % gold bonds dated October 15, 1924, due October 15, 1949, interest payable April 15 and October 15, non-redeemable prior to maturity, except for the sinking fund.

Sinking Fund for this issue $ 4,620,000 a year payable monthly beginning November 15, 1924; sufficient to retire annually 1/25th of the issue at 105 %. Bonds to be retired through the Sinking Fund by purchase, if obtainable at or below 105 % and accrued interest, or if not so obtainable, by redemption by lot at 105 % and accrued interest, such accrued interest in either case to be paid otherwise than out of the sinking fund. The Bonds are to be redeemable for the Sinking Fund on October 15 of each year, commencing October 15, 1925.

Coupon Bonds in denominations of $ 1,000, $ 500 and $ 100.

Principal and interest payable in New York City at the office of J. P. Morgan & Co., in United States gold coin of the present standard of weight and fineness, without deduction for any German taxes, present or future.

Dr. Luther, Finance Minister of Germany, has prepared, and the Reparation Commission and Mr. Owen D. Young, Agent General for Reparation Payments, have approved the following summary from his statement dated October 10, 1924, printed within:

The Loan. — These Bonds are part of an international loan to be issued for the purpose of carrying into effect the plan of the First Committee of Experts appointed by the Reparation Commission for the double purpose of ensuring currency stability in Germany and of financing especially deliveries in kind during the preliminary period of economic rehabilitation. The loan is to be issued in Great Britain, France, Italy, Switzerland, Holland, Belgium, Sweden, Germany and the United States of America in bonds of various currencies and for an amount estimated to be sufficient to yield in the aggregate a net sum equivalent at current rates of exchange to approximately 800,000,000 Gold Marks (approximately $ 190,400,000).

Security.—The service of interest and amortisation of the loan is:

(1) A direct and unconditional obligation of the German Government chargeable on all the assets and revenues of that Government.

(2) A specific first charge on all payments provided for under the Dawes Plan to or for the account of the Agent General for Reparation Payments, such charge being prior to Reparation and other Treaty payments which in turn have a specific precedence over the existing German debt.

(3) A first charge by way of collateral security on the "Controlled Revenues", i. e., the gross revenues of the German Government derived from the Customs and from the taxes on tobacco, beer and sugar, the net revenue of the German Government from the Spirits Monopoly and such tax (if any) as may hereafter be similarly assigned by the German Government in accordance with the terms of the final protocol of the London Conference. The "Controlled Revenues" are estimated as amounting annually to not less than 1,000,000,000 gold marks (approximately $ 240,000,000). The German Government may not create any further charge upon the controlled revenues ranking prior to or equally with the charge created in favour of the bonds of the loan.

London Protocol.—In the London Protocol, Annex IV, Article 3, the Governments of Belgium, Great Britain (with the Governments of Canada, Australia, New Zealand, South Africa and India), France, Greece, Italy, Japan, Portugal, Roumania and Jugo-Slavia agreed as follows:

> "In order to secure the service of the loan of 800,000,000 gold marks contemplated by the Experts' Plan, and in order to facilitate the issue of that loan to the public, the signatory Governments hereby declare that in case sanctions have to be imposed in consequence of a default by Germany they will safeguard any specific securities which may be pledged to the service of the loan.

"The signatory Governments further declare that they consider the service of the loan as entitled to absolute priority as regards any resources of Germany so far as such resources may have been subjected to a general charge in favour of the said loan and also as regards any resources that may arise as a result of the imposition of sanctions."

At the London Conference the Allied Governments adopted a resolution reading as follows:

"The Allied Governments, desiring that this loan should be successfully raised and contemplating that the loan will be a first lien on the security pledged thereto, will invite the Central Banks in their respective countries to use their good offices to facilitate the placing of the loan."

In connection with this resolution and at the request of the Governments of Great Britain, France and Belgium, J. P. Morgan & Company, in association with the undersigned, have undertaken the issue of the American portion of the loan.

The Bonds are offered for subscription, subject to the conditions stated below, at 92 % and accrued interest, to yield over 7.70 % to maturity.

All subscriptions will be received subject to the issue and delivery to us of the Bonds as planned and to the approval by counsel of the relevant documents and proceedings.

Subscription books will be opened at the office of J. P. Morgan & Co., at 10 o'clock a. m., Tuesday, October 14, 1924. The right is reserved to reject any and all applications, and also, in any case, to award a smaller amount than applied for.

The amounts due on allotments will be payable at the office of J. P. Morgan & Co., in New York funds to their order, on or about October 30, 1924, as called for, against the delivery of Interim Receipts exchangeable for definitive Bonds when prepared and received.

J. P. Morgan & Co.
Kuhn, Loeb & Co.
Guaranty Company of New York
Harris, Forbes & Co.
Kidder, Peabody & Co.
First National Bank
The National City Company
Bankers Trust Company, New York
Lee, Higginson & Co.
Dillon, Read & Co.

New York, October 14, 1924.

6. Statement by the German Finance Minister.

German external loan, 1924.

Arrangements have been made for portions of the Loan to be issued in Great Britain, the United States of America, Belgium, France, Holland, Italy, Sweden, Switzerland and Germany. The

Loan will be issued in the form of Bonds to Bearer carrying interest at 7% per annum and repayable within 25 years by means of a Sinking Fund to be applied to the purchase and/or drawing of Bonds of the Issue in the manner set forth in the Prospectuses relating to the several issues.

Bonds issued in the United States of America and the interest thereon will be expressed and be payable in United States dollars; Bonds issued elsewhere and the interest thereon will be expressed and be payable in sterling or in the currency of the country of issue as may be provided in the relative Prospectuses.

The Loan is issued for the purpose of carrying into effect the plan proposed to the Reparation Commission by the First Committee of Experts (the "Dawes Committee") for the discharge of the Reparation obligations and other pecuniary liabilities of Germany under the Treaty of Versailles, which Plan was confirmed by the various Governments concerned and by the Reparation Commission at the London Conference of August 1924. The German Government has undertaken to adopt all appropriate measures for carrying into effect the said Plan and for ensuring its permanent operation.

The Loan is intended to serve the double purpose of ensuring currency stability in Germany and financing especially deliveries in kind during the preliminary period of economic rehabilitation.

The service of interest and amortisation of the Loan is:

(1) A direct and unconditional obligation of the German Government chargeable on all the assets and revenues of that Government.

(2) A specific first charge on all payments provided for under the Plan of the Dawes Committee to or for the account of the Agent General for Reparation Payments, such charge being prior to Reparation and other Treaty Payments which in turn have a specific precedence over the existing German Debt.

(3) A first charge by way of collateral security on the "Controlled Revenues", *i. e.,* the gross revenues of the German Government derived from the Customs and from the taxes on Tobacco, Beer and Sugar, the net revenue of the German Government from the Spirits monopoly and such tax (if any) as may hereafter be similarly assigned by the German Government in accordance with the terms of the Final Protocol of the London Conference.

The Reparation Commission have postponed in favour of the charges created in respect of the Loan all Reparation and other charges upon the payments to the Agent General for Reparation Payments, including charges in respect of deliveries in kind or payments therefor, whether direct or through the operation of any Reparation Recovery Act or Decree.

The annual sum required for the service of interest and amortisation of the Loan on the basis of present exchange rates will not exceed about 91½ million gold marks. The payments to the

Agent General for Reparation Payments have been fixed at 1,000 million gold marks for the first year and are expected to increase thereafter until they reach 2,500 million gold marks for the fifth and subsequent years. The annual gross receipts of the Controlled Revenues are estimated at not less than 1,000 million gold marks.

The German Government may not create any further charge upon the Controlled Revenues ranking in priority to or *pari passu* with the charge created in favour of the Bondholders of this Issue.

The German Government has executed a General Bond whereby S. Parker Gilbert (the Agent General for Reparation Payments), N. D. Jay, and C. E. ter Meulen have been appointed Trustees for the Bondholders of the Loan. In the event of the termination of the appointment of a Trustee other than the Agent General for Reparation Payments, the power of appointing a new Trustee is vested in the remaining Trustees.

The German Government have agreed that fifteen days prior to the due date of any instalment of interest and fifteen days prior to the due date of any redemption moneys there shall be paid to the Trustees the whole of the funds required to meet the service of such interest and redemption. With a view to carrying into effect this provision, arrangement is made for the payment to the Trustees by the Agent General for Reparation Payments on the fifteenth day of each calendar month of a sum equivalent to at least one-twelfth of the amount necessary to meet the service of the Loan for one year.

The Reparation Commission considers it desirable that the Agent General for Reparation Payments should, *ex officio*, be one of the Trustees for the Bondholders. In order to ensure, if possible, the continuation of this arrangement, the Reparation Commission will, in the event of the post of Agent General becoming vacant, consult with the remaining Trustees with a view to appointing to the vacant post a person satisfactory to them as representing the Bondholders.

For the purpose of providing the necessary foreign currencies for the service of the Loan, the German Government, the Reparation Commission, the Transfer Committee and the Agent General for Reparation Payments have agreed that funds required to be sent abroad for that purpose shall have an absolute right of remittance which right shall have priority over the remittance of funds required to be remitted in discharge of Reparation payments or other liabilities.

Article 3 of Annex IV of the Final Protocol of the London Conference dated August 16, 1924:

> "In order to secure the service of the loan of 800 million gold marks contemplated by the Experts' Plan, and in order to facilitate the issue of that loan to the public, the signatory Governments hereby declare that, in case sanctions have to be imposed in consequence of a default by Germany, they will safeguard any specific securities which may be pledged to the service of the loan.

"The signatory Governments further declare that they consider the service of the loan as entitled to absolute priority as regards any resources of Germany so far as such resources may have been subjected to a general charge in favour of the said loan and also as regards any resources that may arise as a result of the imposition of sanctions."

Signed: Dr. LUTHER,
Minister of Finances of the German Reich.

October 10, 1924.

7. Letter from the Secretary General to the German Minister of Finance.

REPARATION COMMISSION.

Paris, October 10, 1924.

Dr. Luther, Minister of Finances of the German Reich.

Sir,

I am directed to inform you that the Reparation Commission has taken note of the Statement signed by you which is appended to the Prospectuses about to be issued in connection with the German External Loan, 1924, and that they have taken the necessary action to enable the service of the Loan to be fully secured under the charges referred to in that Statement.

I am, Sir,

Your obedient Servant,

Signed: S. A. ARMITAGE-SMITH,
Secretary-General.

8. Decision No. 2950 (I) of the Reparation Commission, October 13, 1924.

The Reparation Commission:

Considering that by Article 2 of the Agreement dated August 9, 1924, between the said Commission and the German Government, the said Commission undertook to take all appropriate measures for carrying into effect the plan for the discharge of the Reparation obligations and other pecuniary liabilities of Germany under the Treaty of Versailles proposed to the Reparation Commission on April 9, 1924, by the First Committee of Experts appointed by the said Commission (which plan is hereinafter referred to as "the Experts' Plan") and in particular all measures appropriate for facilitating the issue of the German Loan of the effective equivalent of 800,000,000 Gold Marks provided for in the Experts' Plan as an essential part thereof;

And considering that under the Experts' Plan the amount required for the service of the said German Loan was to be deducted from the sums placed at the disposal of Germany's creditors under that Plan;

And considering that, at the International Conference held in London and concluded on August 16, 1924, all the Governments concerned and the said Commission confirmed their acceptance of the Experts' Plan and agreed to its being brought into operation;

And considering that, in the course of the proceedings of the said Conference, certain mutually interdependent Agreements (of which the said Agreement of August 9, 1924, was one) necessary to bring the Experts' Plan into operation were drawn up and annexed to the Final Protocol of the said Conference;

And considering that all the said Agreements were subsequently duly signed by the parties thereto and are in course of being carried into effect;

And considering that under the Experts' Plan the payments to be made out of the German budget, including any payments made by the German Government under its guarantee of the Railway and Industrial Bonds are secured on the gross receipts of the German customs and the taxes on tobacco, beer and sugar and the net receipts from the spirits monopoly and any other indirect taxes that may hereafter be temporarily assigned (hereinafter referred to as "the Controlled Revenues");

And considering that under the Experts' Plan the whole of the payments to be made for the discharge of the obligations of Germany under the Treaty of Versailles, including such amounts as may be necessary for the service of the said German Loan, are to be paid into the account of the Agent General for Reparation Payments provided for by and now instituted under the Experts' Plan;

And considering that it is contemplated that the annual amounts required for the service of the said German Loan will be approximately the equivalent of 91,500,000 Gold Marks;

And considering that it is proposed as one of the terms of the issue of the said German Loan that the annual amounts required for the service thereof shall be paid out of the account of the said Agent General for Reparation Payments in priority to all payments in discharge of the obligations of Germany for reparation and otherwise under the Treaty of Versailles and the Experts' Plan and shall also be secured by way of collateral security as a first charge upon the controlled revenues so that resort may be had to those revenues in the event of the said annual amounts not being provided out of the account of the said Agent General such resort being had in priority to all other payments of whatsoever nature or kind whether by way of reparation payments or payments for the service of the interest or the amortisation of the Railway and Industrial Bonds and in respect of which the guarantee of the German Government is collaterally secured;

Hereby in exercise of the power conferred by Article 248 of the Treaty of Versailles to make exceptions to the first charge created by that Treaty upon all the assets and revenues of the German Empire and its constituent States for the cost of reparation and other costs and of every or any other power the said Commission

thereunto enabling and in execution of the Experts' Plan so accepted as aforesaid by all the Governments concerned,

Postpones to the payments necessary for the service of the said German Loan (*a*) the charges on the assets and revenues of Germany and the German States, and on the Controlled Revenues respectively created by the said Article 248 and by the Experts' Plan, and (*b*) any and every other charge to which the powers of the said Commission extend and excepts the said assets and revenues whether controlled or otherwise accordingly to the intent that the said Agent General for Reparation Payments (assenting hereto) shall in priority to and before providing for or allowing the costs of reparation, restitution or any other obligation of Germany under the Experts' Plan or under the Treaty of Versailles or under any Treaty Agreement or Arrangement under Article 248 thereof or otherwise by cash payments or by deliveries in kind (whether direct or by the operation of any Recovery Act Decree), or otherwise howsoever make provision for the service of the said German Loan by means of payments to the Trustees or other proper officer or officers appointed under the Contracts relating to that Loan out of the sums going to the credit of the Agent General under the Experts' Plan and that in the event of such provision not being duly and fully made resort may be had on behalf of the holders of the Bonds of the said German Loan to the Controlled Revenues in priority to the claims of the Reparation Commission.

For the purposes of conveniently and definitely ensuring that the respective services of the various tranches constituting the before mentioned Loan shall be duly met in accordance with the relative provisions of the General Bond to secure such Loan (a copy of which General Bond is attached hereto) it is understood that the Agent General shall pay to the Trustees for the time being for the Bondholders or as they may direct one-twelfth of the gross annual sum necessary to meet the yearly service of each such tranche in accordance with the provisions of Clause 8 of the said General Bond.

Considering that it is of importance that the Trustees for the Bondholders of the Loan shall continue to act in harmony with the Agent General for Reparation Payments.

The Reparation Commission consider it desirable that the Agent General for Reparation Payments should *ex officio* be one of the Trustees for the Bondholders. In order to ensure if possible the continuation of this arrangement the Reparation Commission will, in the event of the post of Agent General for Reparation Payments becoming vacant, consult with the remaining Trustees with a view to appointing to the vacant post a person satisfactory to them as representing the Bondholders.

Provided always and it is hereby declared that save as expressly herein provided nothing herein contained shall prejudice or affect the rights of the said Commission under the Treaty of Versailles and the Experts' Plan for securing and recovering the amounts payable by Germany thereunder.

9. Decision No. 295o (II) of the Reparation Commission, October 13, 1924.

The Reparation Commission, considering the Resolution No. 2950 (I) passed by it on October 13, 1924,

And considering that it is appreciated by this Commission that in order to facilitate the issue of the German Loan in the said Resolution referred to all assurances should be given to the Lenders that all possible steps will be taken and all necessary measures enforced for the purposes of ensuring that the annual services of the Bonds of each tranche of the Loan shall be duly and punctually paid to or at the direction of the Trustees of the General Bond securing the Loan in accordance with the provisions of such General Bond whilst such Bonds or any of them are not redeemed or are not due for redemption;

Decides that in the event of this Commission alienating or authorising or concurring in the alienation or redemption of the Bonds, Debentures, Scrip or other like securities created under or in pursuance of the Experts' Plan [*i. e.* (*a*) the Railway Bonds, (*b*) the Industrial Bonds, (*c*) any Bonds, Debentures or other securities issued, secured wholly or in part on the Transportation Tax or on the Contributions from the German Budget, and (*d*) any Bonds, Debentures or other securities issued, secured wholly or in part upon the Bonds and other securities referred to in (*a*), (*b*) and (*c*) or any one or more of them respectively or upon any portion thereof respectively] the moneys from time to time necessary for the payment of the interest and redemption of such Bonds or other securities so alienated or redeemed shall be paid into and through the account of the Agent General for Reparation Payments and the payment out of such account shall be subject in all things to the approval of the Agent General for Reparation Payments and of the Transfer Committee to the intent that nothing shall be done or authorised to be done in connection with any such alienation or redemption whereby the said services of the said Loan shall be in any wise delayed or otherwise affected.

Moreover any such alienations or redemptions as aforesaid shall be effected only under the advice of the Agent General for Reparation Payments and of the Transfer Committee.

10. Resolution of the Transfer Committee, October 31, 1924.

Considering the Resolutions No. 2950 (I) and No. 2950 (II) passed by the Reparation Commission on October 13, 1924, regarding the Loan of the effective equivalent of 800,000,000 Gold Marks to be raised by the German Government for the purposes of the Plan embodied in the Report dated the 9th day of April, 1924, of the First Committee of Experts appointed by the Reparation Commission,

And considering the powers and duties with which this Committee are invested for the purposes of carrying into effect or assisting in carrying into effect the purposes of the said Plan,

It is hereby unanimously resolved:

That during the continuance of the before mentioned Loan or any portion thereof adequate provisions shall at all times be made and all due and proper measures shall be taken in priority to and regardless of the requirements for the reparation payments or services to be made or provided for in accordance with the said plan so as to ensure the payment of the instalments payable to or at the direction of the Trustees for the Bondholders of the said Loan out of all payments provided for under the Dawes Plan to or for the account of the Agent General for Reparation Payments of the yearly services of the Bonds of each tranche of such Loan. To the intent that the said Trustees shall be enabled without any interruption whatsoever and without regard to any possible effect on the Foreign Exchange Market to remit or to direct the remittances of all such payments to the various Banks or other Financial Institutions having the management of such services in the currencies of each separate tranche and in accordance with the provisions of the General Bond securing the Loan particularly Clause 8 thereof.

11. Notification by the Commissioner for the German Railways and the Trustee for the German Railway Bonds. October 31. 1924.

The Trustee for the Railway Bonds and the Railway Commissioner having taken note of

(*a*) Resolution No. 2950 (I) passed by the Reparation Commission on October 13, 1924.

(*b*) Resolution No. 2950 (II) passed by the Reparation Commission on October 13, 1924 and

(*c*) Resolution passed by the Transfer Committee on October 31, 1924.

Hereby inform the Trustees of the General Bond securing the issue of the German External Loan 1924 that regard shall be had by the Trustee and the Railway Commissioner for the time being of the Railway Bonds to the purposes contemplated by such Resolutions and that all necessary steps and measures in connection therewith shall so far as lies within their province and powers be taken by them to give effect thereto. And that no steps taken or measures adopted by the Trustee for the Railway Bonds or any securities issued under them or any portion of them or by the Railway Commissioner shall be taken or adopted or permitted to be taken or adopted either under the provisions of the Annex I to the Agreement dated 9th August, 1924, between the Reparation Commission and the German Government or under the provisions of the Experts' Plan or otherwise howsoever which may tend to lessen or jeopardize the security or any portion thereof intended to be given to the Lenders of the German External Loan 1924. And

that all necessary provision shall so far as possible be inserted in all relative Bonds, Debentures and other documents to give effect to the foregoing.

(Signed) G. LEVERVE,
Commissioner for the German Railways.

(Signed) LÉON DELACROIX,
Trustee for the German Railway Bonds.

12. Notification by the Trustee for the Industrial Debentures, October 31, 1924.

The Trustee for the Industrial Debentures having taken note of

(*a*) The Resolution No. 2950 (I) passed by the Reparation Commission on October 13, 1924.

(*b*) The Resolution No. 2950 (II) passed by the Reparation Commission on October 13, 1924 and

(*c*) the Resolution passed by the Transfer Committee on October 31, 1924.

Hereby informs the Trustees of the General Bond securing the issue of the German External Loan 1924 that regard shall be had by the Trustee for the time being of the Industrial Debentures to the purposes contemplated by such Resolutions and that all necessary steps and measures in connection therewith shall so far as lies within his province and powers be taken by him to give effect thereto. And that no steps taken or measures adopted by the Trustee for the Industrial Debentures or any securities issued under them or any portion of them shall be taken or adopted or permitted to be taken or adopted either under the provisions of the Annex I to the Agreement dated 9th August, 1924, between the Reparation Commission and the German Government or under the provisions of the Experts' Plan or otherwise howsoever which may tend to lessen or jeopardize the security or any portion thereof intended to be given to the Lenders of the German External Loan 1924. And that all necessary provision shall so far as possible be inserted in all relative Bonds, Debentures and other documents to give effect to the foregoing.

(Signed) B. NOGARA,
Trustee for the Industrial Debentures.

13. Notification by the Agent General for Reparation Payments, November 10, 1924.

The Agent General for Reparation Payments having taken note of

(*a*) Resolution No. 2950 (I) passed by the Reparation Commission on October 13, 1924.

(*b*) Resolution No. 2950 (II) passed by the Reparation Commission on October 13, 1924 and

(*c*) the Resolution passed by the Transfer Committee on October 31, 1924.

Hereby informs the Trustees of the General Bond securing the issue of the German External Loan 1924 that regard shall be had

by the Agent General for Reparation Payments for the time being to the purposes contemplated by such Resolutions respectively so far as lies within his province and powers.

(Signed) S. PARKER GILBERT,
Agent General for Reparation Payments.

14. Notification by the German Finance Minister, November 11, 1924.

The German Government having taken note of the following Resolutions and Notes, *i. e.*:

(*a*) Resolution No. 2950 (I) dated October 13, 1924, by the Reparation Commission.
(*b*) Resolution No. 2950 (II) dated October 13, 1924, by the Reparation Commission.
(*c*) Note dated November 10, 1924, addressed by the Agent General for Reparation Payments to the Trustees of the General Bond to secure the German External Loan 1924.
(*d*) Note dated October 31, 1924, addressed by the Transfer Committee to the said Trustees.
(*e*) Note dated October 31, 1924, addressed by the Trustee for the Railway Bonds and the Railway Commissioner to the said Trustees.
(*f*) Note dated October 31, 1924, addressed by the Trustee for the Industrial Debentures to the said Trustees.

Hereby confirms to the Trustees of the German External Loan 1924 that the German Government shall at all times hereafter take all steps and enforce all measures necessary to give effect to the assurances contained in the aforementioned Resolutions and Notes.

(Signed) Dr. LUTHER,
Finance Minister.

PART VII. AGREEMENT REGARDING THE DISTRIBUTION OF THE DAWES ANNUITIES.[1]

1. Final Protocol, Paris, January 14, 1925.

The representatives of the Governments of Belgium, France, Great Britain, the United States of America, Italy, Japan, Brazil, Greece, Poland, Portugal, Roumania, Serb-Croat-Slovene State, Czechoslovakia, assembled at Paris from January 7 to 14, 1925, with a view to settling as between their respective Governments questions which arise out of the distribution of the receipts already entered, or to be entered, in the accounts of the Reparation Commission, in particular after January 1, 1923, to September 1, 1924, and also in the first years of the application of the Dawes Plan which formed the subject of the Agreements concluded in London on August 31, 1924.

Have agreed on the provisions contained in the Agreement of today's date of which a copy is attached to the present Protocol.

Done at Paris, January 14, 1925.

CLEMENTEL.
G. THEUNIS.
WINSTON S. CHURCHILL.
MYRON T. HERRICK.
FRANK B. KELLOGG.
JAMES A. LOGAN JR.
ALBERTO DE' STEFANI.
K. ISHII.
L. M. DE SOUZA DANTAS.
EM. J. TSOUDEROS.
J. MROZOWSKI.
J. KARSNICKI.
ANTONIO DA FONSECA.
VINTILA BRATIANO.
N. TITULESCU.
STOYADINOVITCH.
STEFAN OSUSKY.

2. Agreement, Paris, January 14, 1925.

The Governments of Belgium, France, Great Britain, Italy, Japan, the United States of America, Brazil, Greece, Poland, Portugal, Roumania, the Serb-Croat-Slovene State and Czechoslovakia, respectively represented by the undersigned, have agreed as follows.

[1] The formal amendments detailed in the Protocol of January 22, 1925, attached to the authentic text of the Agreement of January 14, 1925, have been incorporated in the text of the present edition.

Chapter I.

Allocation of the Dawes Annuities.

Article 1.

Costs of the Commissions.

A. The maximum normal charge on the Dawes Annuities of the Reparation Commission, including the organisations set up under the Dawes Plan, shall be:

For the year from September 1, 1924 $9^1/_4$ million gold marks,
For the later years ..... $7^1/_2$ „ „ „
(to be taken partly in foreign currencies or in German currency as required).

Of these sums not more than 3,700,000 gold marks a year shall be attributable to the organisations set up under the Dawes Plan. If necessary this sum may be increased in order to meet the costs of the arbitral bodies provided for by the Dawes Plan and the London Protocol.

B. The maximum charge for the Inter-allied Rhineland High Commission (including deliveries under Articles 8-12 of the Rhineland Agreement) shall not exceed 10 million gold marks (to be taken in foreign currencies or in German currency as required) for the year from September 1, 1924, this sum being allocated between the French, British and Belgian High Commissariats in the proportion of 62 : 16 : 22, after providing for the other expenses of the Commission. The amount for any later year will be settled at a later date.

C. The charge of the Military Commission of Control shall not exceed a maximum of 8 million gold marks (to be taken in German currency) in the year from September 1, 1924. The amount of any later year will be settled at a later date. This figure does not include the Commission's expenses in national currencies, which shall continue to be paid by the Governments concerned, the amounts so paid being credited to their respective accounts by the Reparation Commission.

Article 2.

Costs of Armies of Occupation 1924/1925.

A. The sums to be allowed as a prior charge on payments by Germany during the year September 1, 1924, to August 31, 1925, in respect of the costs of the Armies of Occupation of Belgium, Great Britain and France, shall be fixed at the following amounts:

Belgian Army	25,000,000 gold marks.
British Army	25,000,000 „ „
French Army	110,000,000 „ „

B. Belgium, Great Britain and France will meet their additional Army costs during the period mentioned out of their respective shares in German reparation payments, but shall not be debited

on reparation account therewith, that is to say, their respective reparation arrears will be increased by corresponding sums.

C. The additional army costs shall be calculated as follows. Each Power will be entitled to receive:

(1) The sums payable under the Finance Ministers' Agreement of March 11, 1922, calculated in the case of Great Britain on the basis of the French capitation rate with a special allowance of 2 gold marks a man, converted into sterling on the basis of the mean rates of exchange of the respective currencies during the month of December, 1921. The value of German marks supplied to the Armies of Occupation and the value of any requisitions under Article 6 of the Rhineland Agreement shall, as heretofore, be included in these sums, and

(2) The value of the requisitions and services under Articles 8-12 of the Rhineland Agreement which are credited to Germany in the accounts of the Agent General for Reparation Payments.

For each Power the additional Army costs shall be the difference between the total sum so calculated and the amount of the prior charge set out in paragraph A above.

D. It is agreed that the Powers concerned in the occupation shall not charge for effectives in excess of the strength authorised for each respectively by Article 1 (2) and (3) of the Agreement of March 11, 1922.

E. The provisions of this Article for the year to August 31, 1925, are accepted without prejudice to any question of principle, and the Allied Governments and the Government of the United States of America will discuss, before September 1, 1925, the arrangement for Army costs in the future.

Article 3.

Share of the United States of America in the Dawes Annuities.

A. Out of the amount received from Germany on account of the Dawes Annuities, there shall be paid to the United States of America the following sums in reimbursement of the costs of the United States Army of Occupation and for the purpose of satisfying the awards of the Mixed Claims Commission established in pursuance of the Agreement between the United States and Germany of August 10, 1922.

(1) Fifty-five million gold marks per annum beginning September 1, 1926, and continuing until the principal sums outstanding on account of the costs of the United States Army of Occupation, as already reported to the Reparation Commission, shall be extinguished. These annual payments constitute a first charge on cash made available for transfer by the Transfer Committee out of the Dawes Annuities, after the provision of the sums necessary for the service of the 800 million gold mark German External Loan, 1924, and

for the costs of the Reparation Commission, the organisations established pursuant to the Dawes Plan, the Inter-allied Rhineland High Commission, the Military Control Commissions, and the payment to the Danube Commission provided for in Article 9 below, and for any other prior charges which may hereafter with the assent of the United States of America be admitted. If in any year the total sum of fifty-five million gold marks be not transferred to the United States of America, the arrears shall be carried forward to the next succeeding annual instalment payable to the United States of America, which shall be pro tanto increased. Arrears shall be cumulative and shall bear simple interest at 4½% from the end of the year in which the said arrears accumulated until they are satisfied.

(2) Two and one-quarter per cent (2¼%) of all receipts from Germany on account of the Dawes Annuities available for distribution as reparations, provided that the annuity resulting from this percentage shall not in any year exceed the sum of forty-five million gold marks.

B. Subject to the provisions of paragraph A above, the United States of America agrees:

(1) To waive any claim under the Army Cost Agreement of May 25, 1923, on cash receipts obtained since January 1, 1923, beyond the sum of $ 14,725,154.40 now deposited by Belgium to the account of the Treasury of the United States in a blocked account in the Federal Reserve Bank of New York, which sum shall forthwith be released to the United States Treasury.

(2) That the Agreement of May 25, 1923, does not apply to payments on account of reparations by any ex-enemy Powers other than Germany.

(3) That the Agreement of May 25, 1923, is deemed to be superseded by the present Agreement.

C. The provisions of this Agreement relating to the admission against the Dawes Annuities of charges other than reparations and the allotments provided for such charges shall not be modified by the Allied Governments so as to reduce the sums to be distributed as reparations save in agreement with the United States of America.

D. The United States of America is recognised as having an interest, proportionate to its 2¼% interest in the part of the Annuities available for reparation, in any distribution of railway bonds, industrial debentures or other bonds issued under the Dawes Plan, or in the proceeds of any sale of undistributed bonds or debentures and as having the right also to share in any distribution or in the proceeds of any sale of such bonds or debentures for any arrears that may be due to it in respect of the repayment of its Army costs as provided in the present Agreement. The United States of America is also recognised as having an interest in any other disposition that may be made of the bonds if not sold or distributed.

Article 4.

Belgian War Debt.

A. As from September 1, 1924, 5% of the total sum available in any year after meeting the charges for the service of the German External Loan, 1924, and the charges for costs of Commissions; costs of U. S. Army of Occupation; annuity for arrears of pre-May 1, 1921, Army costs; prior charge for current Army costs; and any other prior charges which may hereafter be agreed, shall be applied to the reimbursement of the Belgian War Debt as defined in the last paragraph of Article 232 of the Treaty of Versailles.

B. The amounts so applied in any year shall be distributed between the Powers concerned in proportion to the amount of the debts due to them respectively as at May 1, 1921. Pending the final settlement of the accounts, France shall receive 46%, Great Britain 42% and Belgium (by reason of her debt to the United States of America) 12%.

Article 5.

Restitution.

A. There shall be applied to the satisfaction of claims for restitution:

(*a*) During the first four years 1% of the total sum available in any year after meeting the charges for the service of the German External Loan, 1924, and the charges for costs of Commissions; costs of U. S. Army of Occupation; annuity for arrears of pre- May 1, 1921, Army costs; prior charge for current Army costs; and any other prior charge which may hereafter be agreed;

(*b*) During subsequent years 1% of the balance of the first milliard after meeting the charges enumerated above and 2% of the surplus of the annuity.

B. The amount so applied shall be distributed between the Powers having a claim for restitution proportionately to their respective claims under this head as accepted by the Reparation Commission.

C. The French and Italian Governments reserve their rights to claim restitution of certain objects of art by application of Article 238 of the Treaty of Versailles. The other Allied Governments will support their efforts to secure the execution by Germany of such restitution. Nevertheless, if fulfilment of this obligation involves a charge on the Dawes Annuities the value will be charged against the share in the Annuity of the Power interested.

Article 6.

Belgian Priority.

A. It is agreed that the determination of the exact position as regards the satisfaction of the Belgian priority depends on the settlement of the distribution account which the Reparation Commission bas been requested to draw up.

B. Out of the part of the Annuities received from Germany and available for distribution as reparations among the Allied Powers after September 1, 1924, Belgium will receive:

(*a*) During the year commencing September 1, 1924: 8 %.

(*b*) During the year commencing September 1, 1925, so long as Belgian priority is not extinguished: 8 % of each monthly payment. As soon as the priority is extinguished, the percentage of all further payments during the year in question will be reduced to 4.5 %.

(*c*) During the year commencing September 1, 1926, and during each succeeding year: 4.5 %.

This reduction in percentage is accepted as fully discharging Belgium from her obligations to repay her priority.

C. As from the date at which Belgian priority is extinguished or at the latest from September 1, 1926, the $3^1/_2$ % released by the above arrangements for the repayment of the Belgian priority will be payable to France and Great Britain in the proportion 52 : 22, in addition to their Spa percentages.

The sums debited to Belgium in respect of the period to September 1, 1924, will not be regarded as creating for her either excess payments or arrears, provided that this shall be without prejudice to the liability of Belgium to account for any final balance under the economic clauses of the Treaty.

D. The rights accruing to Belgium as a result of previous Agreements on payments received or to be received from or on account of Austria, Hungary and Bulgaria remain unaltered.

Article 7.

Greek and Roumanian Reparation Percentages.

A. The percentage of reparation payments available for distribution between the Allied Powers to be allotted to Greece is fixed at 0.4 per cent of payments by Germany and of the first half of payments by Austria, Hungary and Bulgaria and 25 per cent of the second half of payments by Austria, Hungary and Bulgaria.

B. The percentage of reparation payments available for distribution between the Allied Powers to be allotted to Roumania is fixed at 1.1 per cent of payments made by Germany and of the first half of payments by Austria, Hungary and Bulgaria, and 20 per cent of the second half of payments made by Austria, Hungary and Bulgaria.

Article 8.

Miscellaneous Claims.

A. The following claims, namely:

(*a*) Costs of military occupation of the plebiscite zones (Annex to Article 88 of Treaty);

(*b*) Costs of reparation of German prisoners of war (Article 217 of the Treaty);

(*c*) Repayment of exceptional war expenses advanced by Alsace-Lorraine during the war, or by public bodies in Alsace-Lorraine, on account of the Empire (Article 58 of the Treaty);

(*d*) Payment of certain indemnities in the Cameroons and French Equatorial Africa (Articles 124 and 125 of the Treaty);

shall be submitted for valuation to the Reparation Commission which shall be at liberty to use for this purpose all the means at its disposal including reference to arbitration as proposed in Article 11 below.

The amounts of these claims, when established, shall be credited to the interested Powers in their reparation accounts as at September 1, 1924, and the credits treated as arrears at that date in accordance with the provisions of Article 19 below.

B. The following claims would appear to be payable apart from and in addition to the Dawes Annuities, namely:

(*a*) The costs of the civil and military pensions in Alsace-Lorraine earned at the date of the Armistice (Article 62 of the Treaty);

(*b*) The transfer of the reserves of social insurance funds in Alsace-Lorraine (Article 77 of the Treaty). Should, however, the German Government succeed in establishing that these claims must be met out of the Dawes Annuities the Allied Governments will concert together as to the manner in which they should be dealt with.

Article 9.

Compensation due to the European Commission of the Danube.

There shall be paid forthwith to the European Commission of the Danube out of the Annuities the sum of 266,800 gold francs, being the amount agreed to be due from Germany to the Commission in respect of compensation for damages.

Article 10.

Clearing Office Balances.

No special charge shall be admitted against the Dawes Annuities in respect of clearing office balances of pre-war debts or other claims under the economic clauses of the Treaty unless it is shown that any Allied Power claiming the benefit of such charge has a net credit balance due for payment, after applying, to meet its claims under the economic clauses, the German properties and other assets which it has the power to liquidate under the same articles. No provision shall be made for such net credit balances during the first four years of the Dawes Plan.

Chapter II.

Settlement of Past Accounts.

Article 11.

Distribution Accounts. — Provision as to Arbitration.

The Allied Governments request the Reparation Commission to draw up as soon as possible definite distribution accounts as at September 1, 1924.

They will give authority to their respective Delegates on the Reparation Commission to submit to arbitration all questions of fact or of figures arising on the accounts and, to the fullest possible extent, questions of interpretation on which they are not unanimous, in so far as is not already provided for in any existing arrangement.

The above provisions will apply in particular to the settlement of the Ruhr accounts in accordance with the principles set out below and to questions which may arise in regard to the amounts due under the heads of restitutions or other non-reparation claims.

Article 12.

Ruhr Accounts.

A. The Reparation Commission shall fix, in accordance with the provisions of the Treaty of Versailles and the practice hitherto in force, the value in gold marks of the receipts of every nature obtained by the French, Belgian, and Italian Governments from Germany since January 11, 1923, in so far as such receipts have not already been accounted for to it. The Reparation Commission shall similarly determine the amounts to be set against such receipts with a view to securing that the Powers concerned receive credit for expenditure actually incurred by them, subject, however, to the detailed provisions below with respect to Army costs.

B. Separate accounts will be drawn up for deliveries in kind and cash receipts.

C. The account of deliveries in kind shall include the value as determined by the Reparation Commission of:

(1) Deliveries in kind not yet accounted for to the Commission including deliveries paid for from the "fonds commun" and the "fonds special."

(2) All requisitions under or on the analogy of Article 6 of the Rhineland Agreement and all paper marks seized and fines imposed by the Armies of Occupation during the period January 1, 1923, up to August 31, 1924, in so far as they have not already been reported to the Reparation Commission.

Against these receipts will be allowed as deductions the extra costs incurred by the French and Belgian Governments during the

period January 1, 1923, to August 31, 1924, through the maintenance of military forces in German territory not occupied on January 1, 1923, after setting off the normal costs of the maintenance of these forces in their home garrisons.

The net value of the deliveries in kind so determined shall be debited in the reparation accounts against the Powers which have received them.

The value of coal and coke sold to Luxemburg during the same period shall be treated as a delivery in kind to France.

D. The account of cash receipts shall include cash receipts of all kinds obtained by the occupying Powers including the gross amounts obtained from taxes or duties, licences, derogations, etc., and the net receipts of the Railway Régie, as ascertained by the Reparation Commission after verification of the accounts.

From these receipts will be allowed as deductions the civil costs of collection and expenses of administration incurred before August 31, 1924, and the costs of loading coal and exploitation of mines and cokeries up to the same date.

The balance of the account shall, with the exception of the sum mentioned in sub-paragraph 1 of paragraph B of Article 3, be paid over to the Belgian Government which shall be debited on account of the priority for the period before September 1, 1924, with the full amount so received less the interest due on the German Treasury Bills transferred to Belgium in 1922.

E. In accordance with Annex III to the London Protocol no claim will be made for payment out of the Dawes Annuities of any costs in respect of military forces in German territory not occupied on January 1, 1923, other than the value of requisitions effected by, or services rendered to these forces after September 1, 1924. The value of such requisitions or services will be accounted for as deliveries on reparation account to the Allied Powers concerned.

Chapter III.

Special Questions arising out of Previous Agreements.

Article 13.

Extension beyond January 1, 1923, of the Provisions of Article 2 of the Agreement of March 11, 1922: Appropriation of Deliveries in Kind to the Costs of Armies of Occupation.

The French, British and Belgian Governments agree that the forfaits fixed, or to be fixed, for their respective Armies of Occupation from January 1, 1923, and until August 31, 1928, in so far as they are not met out of requisitions of paper marks and services, etc., under Article 6 of the Rhineland Agreement, should be charged on the deliveries in kind (including receipts under the British Reparation Recovery Act and any similar levy established by any other Government) received by them respectively, and the Reparation Commission is requested to give effect to this decision in its accounts.

Article 14.

Extension beyond January 1, 1923, of the Provisions of Article 6 of the Agreement of March 11, 1922: Retention by each Power of the Deliveries in Kind received by it.

Each of the Allied Governments having a credit due to it on reparation account shall be entitled to retain, without being required to make payment in cash for the value thereof, the deliveries in kind (including Reparation Recovery Act receipts) received and retained by them between December 31, 1922, and September 1, 1924. The receipts of each Power, however, up to September 1, 1924, shall be taken into account in determining the adjustments provided for in Article 19.

Article 15.

Costs of the Armies of Occupation for the Period May 1, 1922, to August 31, 1924.

A. The credits to be given in respect of the costs of occupation for the period May 1, 1922, to May 1, 1924, are as follows:

	French share of forfait. Gold marks.	Belgian share of forfait. Gold marks.	British share of forfait. Gold marks.
May 1, 1922, to April 30, 1923..	155,526,693	30,680,158	21,092,922
May 1, 1923, to April 30, 1924..	117,195,330	23,284,922	22,369,567

B. As regards the costs of occupation for the period May 1, 1924, to August 31, 1924, the Allied Governments will authorise their representatives on the Reparation Commission to make the necessary adjustment on the basis of the principles on which the above figures were calculated.

C. The Reparation Commission is requested to introduce those figures into its accounts for the years in question.

Article 16.

Debits for the Vessels allotted or transferred to Belgium under Article 6 (4) of the Spa Protocol.

The debits in the Inter-allied accounts for the vessels allotted or transferred to Belgium under Article 6 (4) of the Spa Protocol shall be dealt with under Article 12 of the Finance Ministers' Agreement of March 11, 1922, instead of as provided for in the Spa Protocol.

Article 17.

Debit for Shantung Railways and Mines.

In respect of the railways and mines referred to in the second paragraph of Article 156 of the Treaty of Versailles, Japan will be debited by the Reparation Commission in the Inter-allied accounts

only with the equivalent of compensation which has been or may be in fact paid by the German Government to its nationals for their interests. Pending the establishment of the amounts in question Japan will be regarded as entitled to her full percentage of reparations as from September 1, 1924.

Chapter IV.

Interest and Arrears.

Article 18.

Interest Account.

The Allied Governments agree that all interest charges on reparation receipts up to September 1, 1924, should be waived as between the Allied Powers and all provisions in existing agreements requiring interest accounts to be kept to that date are cancelled. Interest at 5 % shall, however, be charged as from September 1, 1924, on the excess receipts shown in the account to be drawn up under Article 19 below as due at that date by any Allied Power to the reparation pool as well as on any further excess receipts which may accrue after that date until they are repaid.

Article 19.

Excesses and Arrears.

A. The Reparation Commission shall as soon as possible draw up an account showing, as at September 1, 1924, for each Power entitled to a share in the reparation payments of Germany, but not including the United States of America:

(*a*) The net receipts of that Power on reparation account as at September 1, 1924, which shall be calculated by deducting from its total gross receipts as valued for the purpose of Inter-allied distribution, the credits due to it in respect of Spa coal advances, of costs of Armies of Occupation (excluding the arrears as at May 1, 1921, provided for in Article 21), costs of Commissions of Control not paid in German currency, profits on exchange, and of any other approved claims such as the claims referred to in Article 8 A of this Agreement;

(*b*) The amount that Power should have received had the total net reparation receipts of all the Powers been distributed in accordance with the Spa percentages.

By deducting from the amount due to each Power its actual debit, the Reparation Commission will determine the arrears due to that Power or the excess payments due from that Power as at September 1, 1924.

B. A similar calculation shall be made by the Reparation Commission on September 1st in each succeeding year.

C. For the purpose of the above calculations the figures relating to Belgium shall be included on the same footing as those relating

to other Powers but, save as provided elsewhere in this Agreement, Belgium shall be free of any obligation to repay reparation receipts obtained before September 1, 1924.

Belgium shall, however, if the case arises, be required to account with interest for any excess of reparation receipts obtained by her after September 1, 1924, over her due proportion, as laid down elsewhere in this Agreement, of the total receipts effectively debited to all the Powers after that date. In the contrary case Belgium will be regarded as having a claim in respect of arrears.

D. The provisions of the second paragraph of Article 7 of the Agreement of March 11, 1922, relating to the debits to be entered in the account to be drawn up under Article 235 of the Treaty in respect of coal received by Italy before May 1, 1921, shall apply also to the debits for coal received by Italy between May 1, 1921, and December 31, 1922.

Article 20.

Recovery of Arrears.

Except as otherwise provided for in this Agreement:

A. The excess receipts of any Power as fixed at the end of each year under Article 19 shall be repaid by the deduction of a certain percentage from the share of that Power in each succeeding Annuity until the debt is extinguished with interest at 5%, provided that no repayments under this sub-section shall be required out of the Annuities for the years commencing September 1, 1924, and September 1, 1925.

B. In the case of Italy and the Serb-Croat-Slovene State this deduction shall be fixed at 10%. In the case of other countries the deduction shall be calculated by the Reparation Commission on a similar basis.

C. The repayments made by the debtor Powers shall be distributed between the Powers in credit to the reparation pool in proportion to their respective arrears.

Article 21.

Costs of the Armies of Occupation to May 1, 1921.

The arrears due to France and Great Britain on account of pre-May 1, 1921, Army costs shall be excluded from the general account of arrears and shall be discharged by a special allotment out of the Dawes Annuities (ranking immediately after the charge in favour of U. S. Army costs) of the following amounts namely:

1st year	15	million	gold	marks.
2nd year	20	,,	,,	,,
3rd year	25	,,	,,	,,
4th year	30	,,	,,	,,

and thereafter an annuity of 30 million gold marks till the arrears are extinguished.

This allotment shall be divided between France and Great Britain in the proportions of France 57% and Great Britain 43%. The allot-

ment shall be taken in deliveries in kind during the first two years of the Dawes Plan and thereafter may be transferred either in deliveries in kind or cash. This arrangement will not affect the distribution of any cash receipts now in the hands of the Reparation Commission available for the liquidation of Army costs arrears, which receipts will be dealt with in accordance with Article 8 of the Agreement of March 11, 1922, and credited against the capital arrears. Further, the annuity above provided for will retain a prior charge up to 25 % of its amount on any cash receipts not arising out of the Dawes Plan which may accrue to the Reparation Commission in the future on account of Germany.

Chapter V.

Miscellaneous Questions.

Article 22.

Payment by Czechoslovakia for Deliveries in Kind.

The sums due by Czechoslovakia to the Reparation Commission in respect of the deliveries in kind received by her from Germany and Hungary since May 1, 1921, shall be placed in a suspense account and carry interest at 5 % from September 1, 1924.

Article 23.

Bulgarian Payments.

Without prejudice to any question of principle, the payments made or to be made up to December 31, 1926, by Bulgaria under the Protocol of Sofia dated March 21, 1923, will be distributed between the Allied Powers in the proportions laid down in Article 2 of the Spa Protocol. The Allied Governments will agree together as to the method of distribution of these payments to be adopted after December 31, 1926.

Article 24.

Properties ceded to the Free City of Danzig.

The Allied Governments give full powers to their respective representatives on the Reparation Commission to settle all questions connected with the debt due by the Free City of Danzig in respect of the value of the public properties ceded to the Free City by Germany, including such adjustments of the payments to be made by the Free City as may be necessitated by its financial situation.

Article 25.

Recommendations with regard to Distribution of Payments throughout the Year.

The Finance Ministers draw the attention of the Reparation Commission to the fact that the operation of the Dawes Plan would be greatly facilitated if the Agent General for Reparation Payments could so arrange that the annual payments to be made during the operation of the Dawes Plan may be distributed through-

out the course of each year, and they request the Reparation Commission and the Agent General to consider what steps can be taken to secure this result, which is of particular importance during the second and third years of the Plan.

With a view to accomplishing this result the Allied Governments, so far as they are concerned, authorise the Reparation Commission and the Agent General for Reparation Payments in cooperation with the Trustees for Railway Bonds and Industrial Debentures to take all action that may be necessary to arrange the due dates of the payments to be made on the railway and industrial bonds so as to provide for a gradual and even flow of payments throughout each Annuity year.

Furthermore, the Finance Ministers authorise the Reparation Commission to make arrangements, so far as may be practicable without prejudicing the requirements of other Powers, to enable the Portuguese Government to obtain during the earlier months of the second year of the Dawes Plan (within the limit of its share in the second Annuity) the sums necessary to complete certain outstanding orders for deliveries in kind of special importance to it.

Article 26.

Interpretation and Arbitration.

This Agreement shall be transmitted to the Reparation Commission, and the Commission will be requested to give effect thereto and to adjust the payments during the remainder of the year to August 31, 1925, and during subsequent years, so that the total receipts of each Allied Power during each year shall not exceed its share under this Agreement. The Reparation Commission shall have authority by unanimous resolution to interpret the provisions of the Agreement, in so far as the Allied Powers are concerned. If any difference or dispute shall arise on the Reparation Commission or between the Allied Powers in respect of the interpretation of any provisions of this Agreement or as to anything to be done hereunder whether by the Commission or otherwise, the same shall be referred to the arbitration of a single arbitrator to be agreed upon unanimously by the members of the Reparation Commission, or, failing agreement, to be appointed by the President for the time being of the Permanent Court of International Justice.

Any difference or dispute that may arise with the United States of America regarding the interpretation of this Agreement affecting American claims or the rights of the United States of America under this Agreement shall be referred to an arbitrator to be agreed upon between the United States of America and the Reparation Commission acting unanimously.

Article 27.

Reservation as to the Rights and Obligations of Germany.

The provisions of the present Arrangement concluded between the Powers interested in reparations do not prejudice any rights or obligations of Germany under the Treaties, Conventions and Arrangements at present in force.

The present Agreement, done in English and French in a single copy, will be deposited in the archives of the Government of the French Republic, which will supply certified copies thereof to each of the signatory Powers.

In the interpretation of this Agreement, the English and French texts shall be both authentic.

Paris, January 14, 1925.

CLEMENTEL.
G. THEUNIS.
WINSTON S. CHURCHILL.
MYRON T. HERRICK.
FRANK B. KELLOGG.
JAMES A. LOGAN JR.
ALBERTO DE' STEFANI.
K. ISHII.
L. M. DE SOUZA DANTAS.
EM. J. TSOUDEROS.
J. MROZOWSKI.
J. KARSNICKI.
ANTONIO DA FONSECA.
VINTILA BRATIANO.
N. TITULESCU.
STOYADINOVITCH.
STEFAN OSUSKY.

APPENDIX.

List of Principal Officers originally appointed to execute Experts' Plan.

The Agent General for Reparation Payments ad interim:

Owen D. Young, American.

The Agent General for Reparation Payments:

S. Parker Gilbert, American.

The General Co-ordinating Board:

S. Parker Gilbert, Agent General for Reparation Payments, Chairman ex-officio, American.
G. W. J. Bruins, Commissioner of the Reichsbank, Dutch.
Gaston Leverve, Commissioner for the German Railways, French.
Sir Andrew McFadyean, Commissioner of Controlled Revenues, British.
Léon Delacroix, Trustee for the German Railway Bonds, Belgian.
Bernardino Nogara, Trustee for the German Industrial Debentures, Italian.

The Transfer Committee:

S. Parker Gilbert, Chairman ex-officio, American.
Joseph E. Sterrett, American.
Jean Parmentier, French.
Henry Bell, British.
Pasquale Jannaccone, Italian.
Albert E. Janssen, Belgian.

The Trustees of the German External Loan, 1924:

S. Parker Gilbert, Chairman ex-officio, American.
Nelson Dean Jay, American,
C. E. ter Meulen, Dutch.

The General Council of the Reichsbank:

Hjalmar Schacht, President, German.
Sir Charles Addis, British.
G. Bachmann, Swiss.
G. W. J. Bruins, Dutch.
Carlo Feltrinelli, Italian.
Emile Francqui, Belgian.
Gates W. McGarrah, American.
Louis Hagen, German.
Franz von Mendelssohn, German.
Hans Remshard, German.
Charles Sergent, French.
Franz Urbig, German.
Max Warburg, German.
Oscar Wassermann, German.

Managing Board of the German Railway Company:

C. F. von Siemens, Chairman, German.
C. Stieler, Vice-Chairman, German.
Sir William Acworth, Vice-Chairman, British.
Edward Arnhold, German.
Adolf v. Batocki, German.
C. Bergmann, German.
G. Bianchini, Italian.
O. Blum, German.
Wilhelm Buck, German.
D. Fischer, German.
H. von Hertel, German.
J. Jadot, Belgian.
P. Kloeckner, German.
M. Margot, French.
O. von Miller, German.
H. Muenchmeyer, German.
Franz Ott, German.
Richard Sarre, German.

Board of the Bank for German Industrial Debentures:

G. Krupp von Bohlen und Halbach, President, German.
H. de Peyster, Vice-President, French.
Paul von Schwabach, Vice-President, German.
Mario Alberti, Italian.
Ernst Bail, German.
Hermann Bücher, German.
Herbert Dorn, German.
Léopold Dubois, Swiss.
Julius Flechtheim, German.
Charles Frérichs, Belgian.
Clemens Lammers, German.
Gates W. McGarrah, American.
R. J. H. Patijn, Dutch.
Ernst Trendelenburg, German.
W. Dudley Ward, British.

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